
NKANDLA LOCAL MUNICIPALITY

KZN286



DRAFT ANNUAL BUDGET REPORT

MFMA SECTION 16, BUDGET AND REPORTING

REGULATIONS

2014/2015

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PART1 – DRAFT ANNUAL BUDGET

1.1 MAYORAL REPORT

2014/15 FINAL BUDGET OVERVIEW

In his budget speech, His Worship, the Honourable Mayor of Nkandla, Councillor AT Ntuli, stated that: The total Budget for the Municipality for 2014-2015 is **R127 133 250**, and with this budget, the Municipality is planning to address issues that really affects the people of Nkandla and we want to do things now. For two outer years 2015-2016 financial year, the budget is standing at **R138 903 974** and for 2016-2017 the budget will be **R146 277 042**.

He said we are also complying with section 153 of the Constitution of the Republic of South Africa, Act 108 of 1996 to-

- a) *Structure and manage the administration, budgeting and planning processes of the municipality to give priority to the basic needs of the community, and to promote the social and economic development of our communities, and*
- b) *Participate in national and provincial development programmes.*

Chapter 4 of MFMA dictates that, the Council of the Municipality must for each financial year approve an annual budget for the Municipality before the start of the new financial year. This is the reason why I'm tabling this budget to this Council.

- People of Nkandla need real service delivery now without any form of discrimination.
- Budget will ensure that lives of Nkandla people changes for the better.

In preparation for this year IDP and Budget the municipality came up with a public participation plan to engage the community in all 14 wards. The Municipality has again ensured that our Public Participation unit is more visible to the community to get community needs which informs today's Budget and IDP for 2014-2015. Chapter of 4 of the Municipal Systems Act which encourages and creates conditions for the local community to participate in affairs of the Municipality including in;

- The preparation , implementation and review of its Integrated Development Plan in terms of Chapter 5 of the Municipal Systems Act No. 32 of 2000

He said he is happy about the level of commitment showed by officials, councillors and community during these sessions of public participation. What came out from these session puts pressure on this council to make sure that when we prepare the budget we involve people of Nkandla in the IDP and Budget processes?

He is happy to announce that this year Nkandla Municipality will be hosting a Horse Racing Event for the first time. This is part of changing lives for the people of Nkandla through Sport and Recreation. We have set aside an amount of R800 000 for 2013-2014 financial year and this proves that we will definitely reach our destiny steady but surely. There are other Sporting codes that are going to get support, this is evident by Boxing Sporting code and Netball that are going to participate for the first time in 2014 Mayoral Cup. As part of bringing services closer to the people, we have fast track the Development approval for Nkwanyana Center which is going to have anchor tenants like Cambridge Foods, Kentucky Fried Chicken, Pep Cell, Ackermans, Boxer Built and other stores.

He announced that, we have assisted 31 learners with bursaries to further their studies in Tertiary institutions and we must be proud of that. We have done this because I believe we can change lives of the people of Nkandla through Education. Other learners from Nkandla are furthering their studies in India, this shows clearly that we take Education very serious as the *His Excellency Prince of Kwa Phindangene* alluded to the fact that “*Education First, Liberation Later*” An amount of **R1 200 000.00** has been set aside to hire Grader to deal with our access roads and sports field in different areas around Nkandla.

He also emphasised that the Municipal Budget for 2014-2015 in prepared based on Chapter 4, Section 16 of the Municipal Finance Management Act which states that the Council of the Municipality must;

After having done the public participation rounds for the whole municipal area, It came to my attention that these are the common needs for people of Nkandla.

Water (all wards)

Roads (access roads)

Causeways

Electricity (Infills)

Illegal Users Of Electricity (Izinyoka)

Community Service Centres

Fencing of Grazing Land

Fencing of Community Gardens

Clinics

Bursaries

Network Connection

Sport Fields

Accessibility of other sector departments

This budget aims to address the above mentioned community needs, some does not fall under the municipal functions but we must facilitate the delivery of these services to our people

The Municipal Budget is divided into two categories:

- Capital Budget as well as
- Operational budget.

He also said that municipal vision is to become:

‘A high performing rural municipality, driven by continuous improvement of quality of life for Nkandla citizens

In support of our vision on improving the quality of life for Nkandla Citizen I present the budget Break down as it is:

Operational Grants:	R 70 863 000.00
Capital Grants:	R 25 582 000.00
Total Grants:	<u>R 96 445 000.00</u>

Services which include Electricity & Refuse	R 15 931 876.00
Rates:	R 5 613 112.00
Other income	R 10 904 646.00
Total Generated Income (Other incomes)	<u>R 128 894 634.00</u>

CAPITAL BUDGET

All capital projects are funded by the Municipal Infrastructure Grant (MIG).

The Capital projects for 2014-2015 financial year are as follows:

Sakhile Access Roads Phase 1	R8 300 000
Kwantshiza road	R2 039 026
Esixhokolo Access Road	R3 886 974
Ezimvubu Road	R2 678 000
Mfongosi Link Road	R2 678 000
Matshenezimpisi Road Rehabilitation Phase 2-part 2	R2 000 000
TOTAL	R21 582 000

The Municipality has again applied for a front loading from DBSA for R49 282 029 00 for electrification of Bhacane, Malunga, Mndunduzeli and Qothu. I am also adamant that we going get this fund and change lives of our people.

The total budget for 2014/15 is **R127 133 250:** which includes Capital and Operational Expenditure.

He said It is indisputable that one cannot be satisfied with the number of projects presented looking at what is expected from the municipality to deliver, the number of projects is largely based on the sources of income and the revenue is still a concern that we are working on.

Projects funded by the municipality:

Local Economic Development	R 3 000 000.00
Youth Development Program	R 1 500 000.00
Women empowerment	R 300 000.00
Early Childhood Development	R 300 000.00
Sports & Recreation	R 800 000.00
Library	R 350 000.00
HIV/AIDS	R 350 000.00
Disaster Management	R 1 800 000.00
Cultural Development	R 1 500 000.00
Disability	R 150 000.00
Senior Citizens	R 300 000.00
Communication & Publications	R 1 300 000.00
Public Facilities	R 1 400 000.00

The revenue enhancement strategy that is being reviewed will assist the municipality in developing new revenue enhancement mechanisms and also minimising the volume of distribution losses with regards to electricity.

TARIFFS

The inflation rate of 6.2% will apply to all municipal tariffs (based on the current CPI as gazetted by National Treasury : Circular 72). This includes some of the following:

Property Rates

Service Charges

Permits

Hire of Municipal Facilities, etc.

The honourable mayor is grateful about the level of commitment showed by municipal officials in producing these two critical regulated documents (IDP & Budget). The support, dedication and cooperation showed by the Management Committee should not go unnoticed.

1.2 COUNCIL RESOLUTIONS

On the 27th March 2014 the Council of Nkandla Municipality met in the Council Chamber to consider the draft annual budget of the municipality for the financial year 2014/15. The Council approved and adopted the following resolutions:

The Council of Nkandla Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

The draft annual budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations.

The Council of Nkandla Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014:

- ❖ the tariffs for electricity and other income – as set out in Annexure A,

1.3 EXECUTIVE SUMMARY

The preparation of its Annual Financial Statements, budget and financial plan is essential and critical to ensure that the Nkandla Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. By virtue of the fact that the municipality is a small rural municipality which is characterised by only few sources of revenue, grants being the main source, the main focus was undertaken on expenditure review to eliminate noncore and nice-to-have items. This has resulted in savings to the municipality that will be used to fund other operations of the municipality in its 2014/15 Annual Budget and MTREF. Key areas where savings were realized were on Subsistence & Travelling, Entertainment, and number of workshops, accommodation, and Consultant fees. The municipality is in the process of establishing the Traffic Management Unit and staff accommodation as the first step, in enhancing self-generated revenue.

National Treasury's MFMA Circular No. 70, 71 and 72 were used to guide the compilation of the 2014/15 Final Budget.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarised as follows:

- ❖ The significant decline in the grant income for funding EPWP and electricity grant.
- ❖ The ongoing difficulties in the national and local economy.
- ❖ The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents.

The following budget principles and guidelines directly informed the compilation of the 2014/15 Budget:

-
- ❖ Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
 - ❖ Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, e.g. the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
 - ❖ There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

FINANCIAL IMPLICATION

1.4 OPERATING REVENUE FRAMEWORK

For Nkandla municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. But in these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty, at the same time, we do not have core sources of funding in exception of government Grants. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

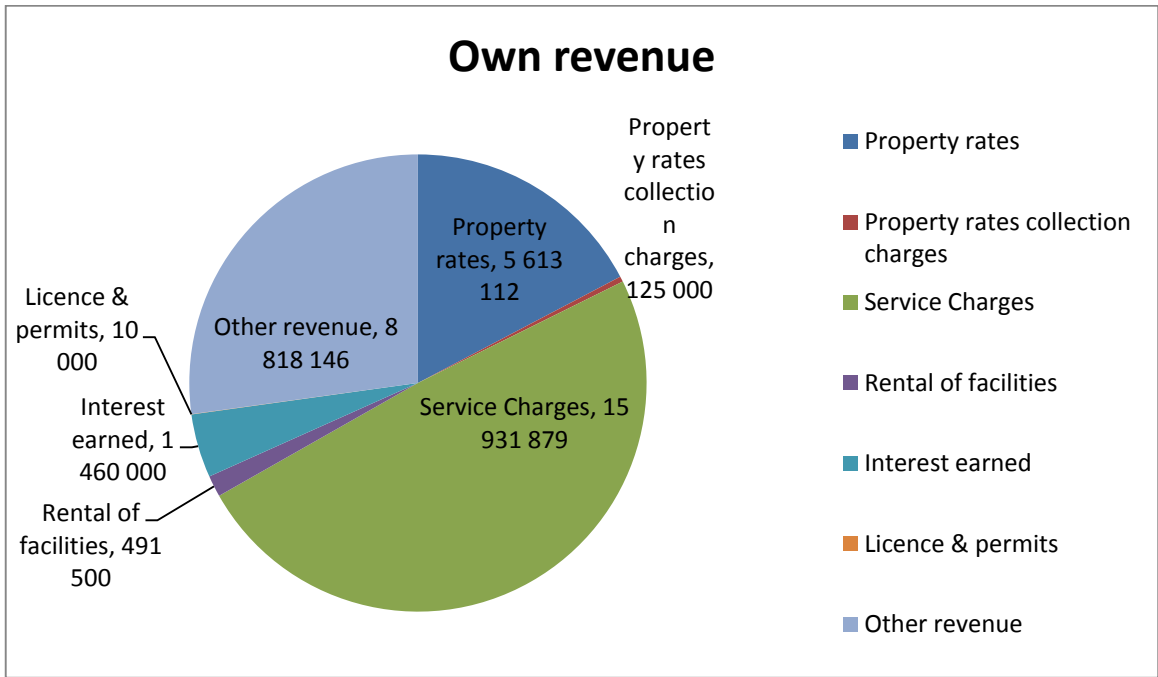
- ❖ National Treasury's guidelines and macroeconomic policy;
- ❖ Growth in the municipal environment and continued economic development;
- ❖ Efficient revenue management, which aims to ensure a reasonable percentage annual collection rate for property rates and other key service charges;
- ❖ Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- ❖ The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- ❖ The municipality's Indigent Policy and rendering of free basic services; and
- ❖ Tariff policies of the municipality.
- ❖ Revenue enhancement strategy

Operating revenue

Section 18 of the Municipal Finance Management Act 2003 which deals with the funding of expenditure states that revenue projection in the budget must be realistic, taking into account projected revenue for the current year based on collection levels to date and actual revenue collected in previous years.

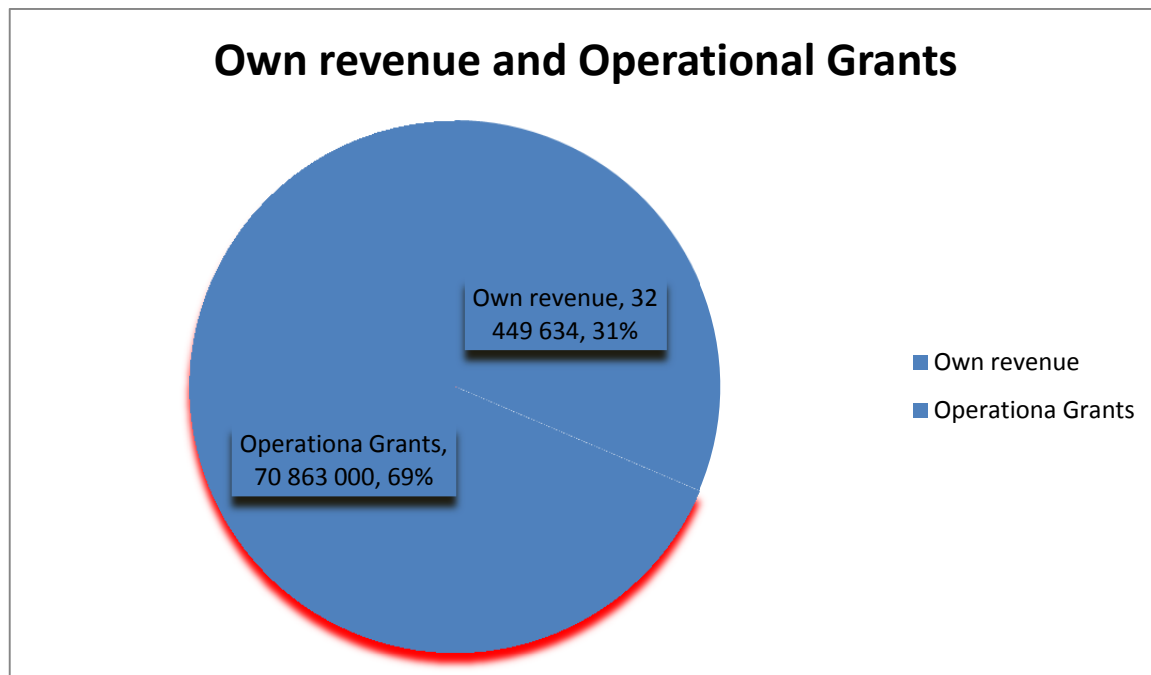
1. The below table consists of revenue generated by the municipality.

Service Charges includes the amount of R14 million for the sale of electricity, The municipality will be changing all electricity metres to avoid bypassing of electricity thereby enhancing revenue income. Other revenue is inclusive of VAT refund of R8.4 million.



Operational Grants allocated for the municipality

NB: Expanded public works programme is decreased by 51% compared to prior year



The total operating revenue for the financial year 2014/2015 is **R103 312 634**.

OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- ❖ The asset renewal strategy and the repairs and maintenance plan;
- ❖ Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- ❖ Nkandla municipality's 2013/14 Annual Budget and MTREF
- ❖ Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;

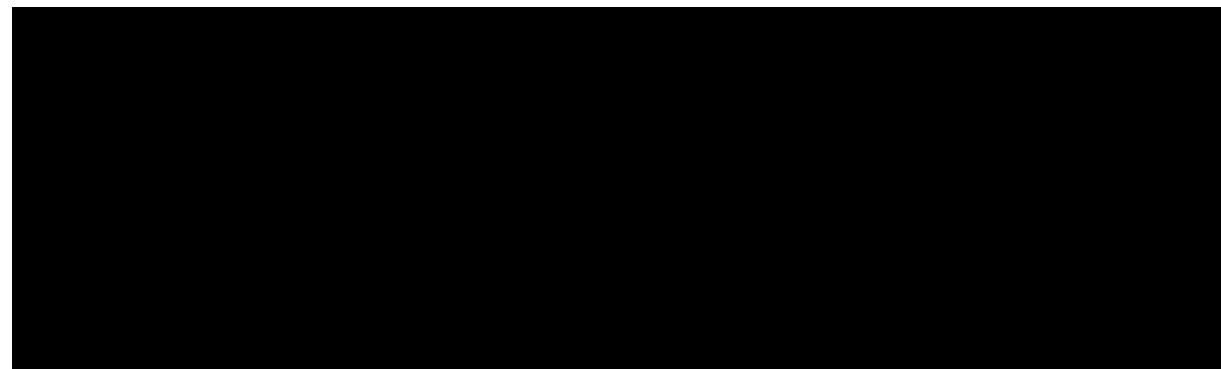
The budgeted allocation for employee related costs for the 2014/15 financial year totals R35, 600 million, which equals 35 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.79 per cent for the 2014/15 financial year. An annual increase of 6.40 per cent has been included in the two outer years of the MTREF. As part of the planning assumptions and interventions all critical

vacancies are included in the budget with the aim of exercising more prioritization to them. Expenditure against overtime and S&T was significantly reduced.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998).

Operating Expenditure

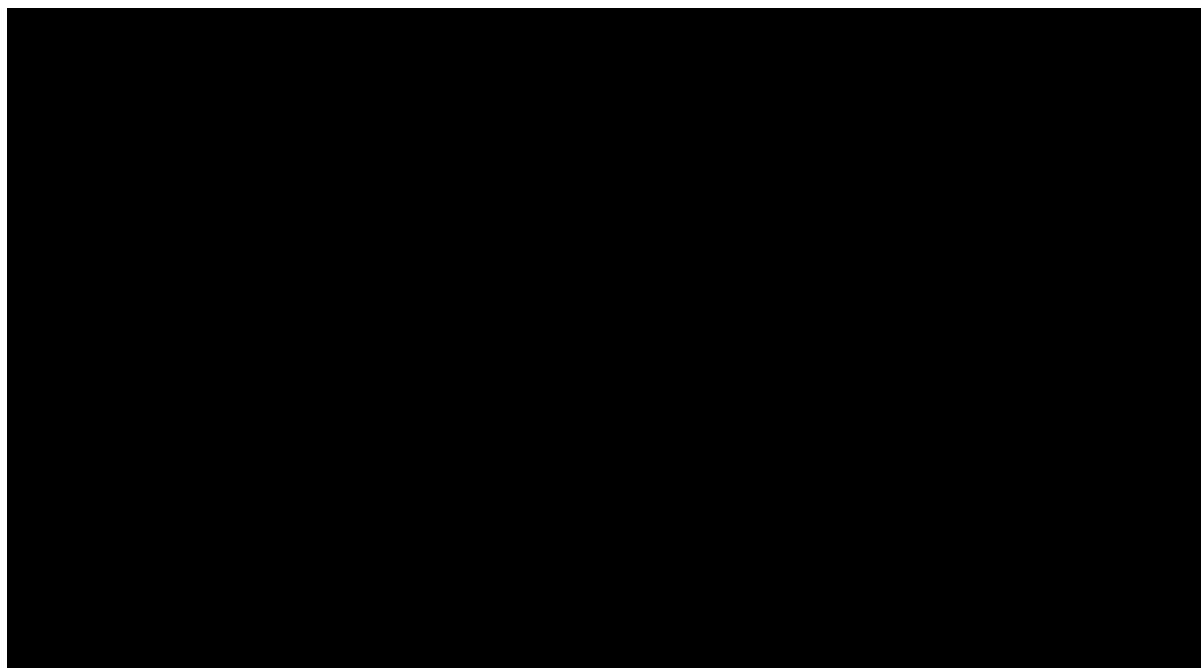
The operating expenditure for 2014/2015 year has been appropriated at R101 551 250 and translate into a budgeted surplus of R 1 761 384. When compared to 2013/2014 adjustments budget, operational expenditure has increased by 2.8 per cent.



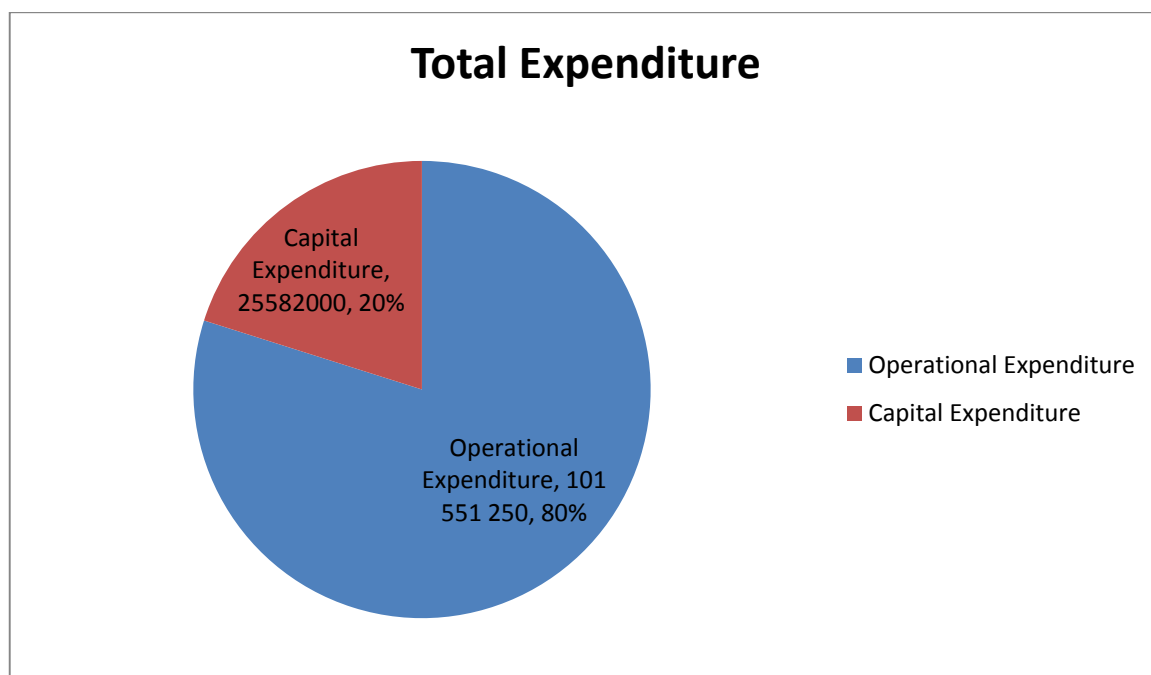
Employees related Costs

The employees related costs is calculated based on multi-year Salary and Wages collective Agreement for the period 1 July 2012 to 30 June 2015, The agreement provided for wage increase based on the average CPI for the period 1 February 2013 until 31 January 2014, Plus 1 percent for 2014/2015 financial year (with effect of 1 July 2014) with the total increment of 6.8 per cent.

Capital expenditure budget



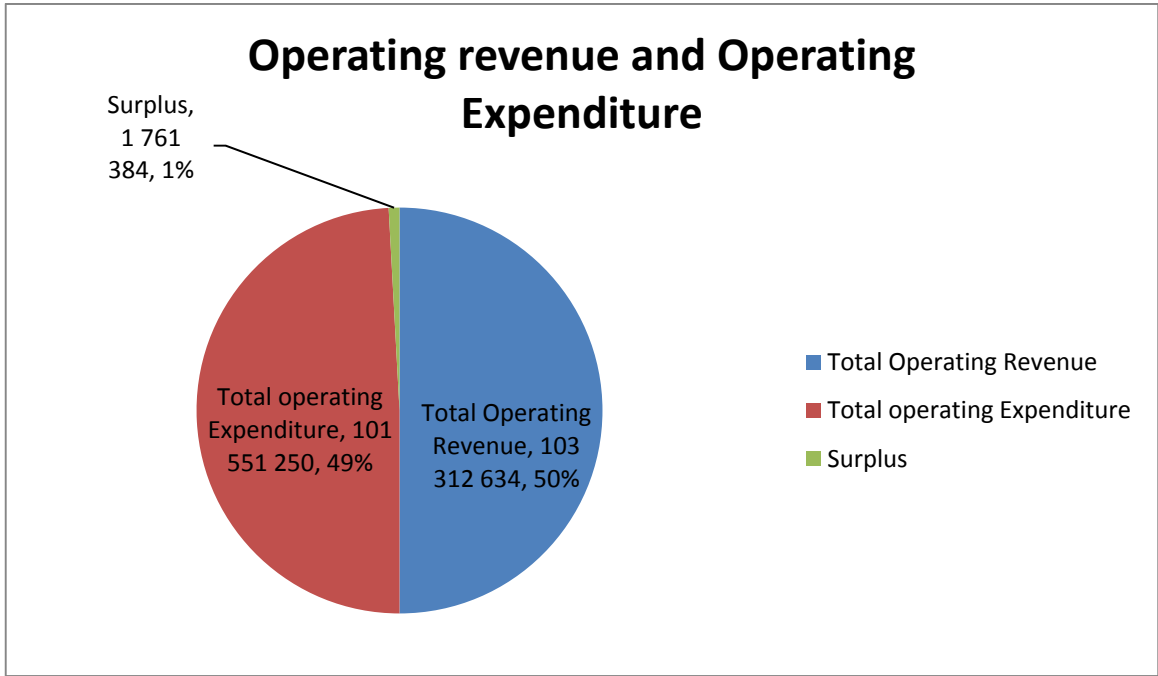
The below pie chart compares the Total operating expenditure and Capital expenditure of Nkandla Municipality.



Consolidated Overview of the 2014/15 FINAL BUDGET

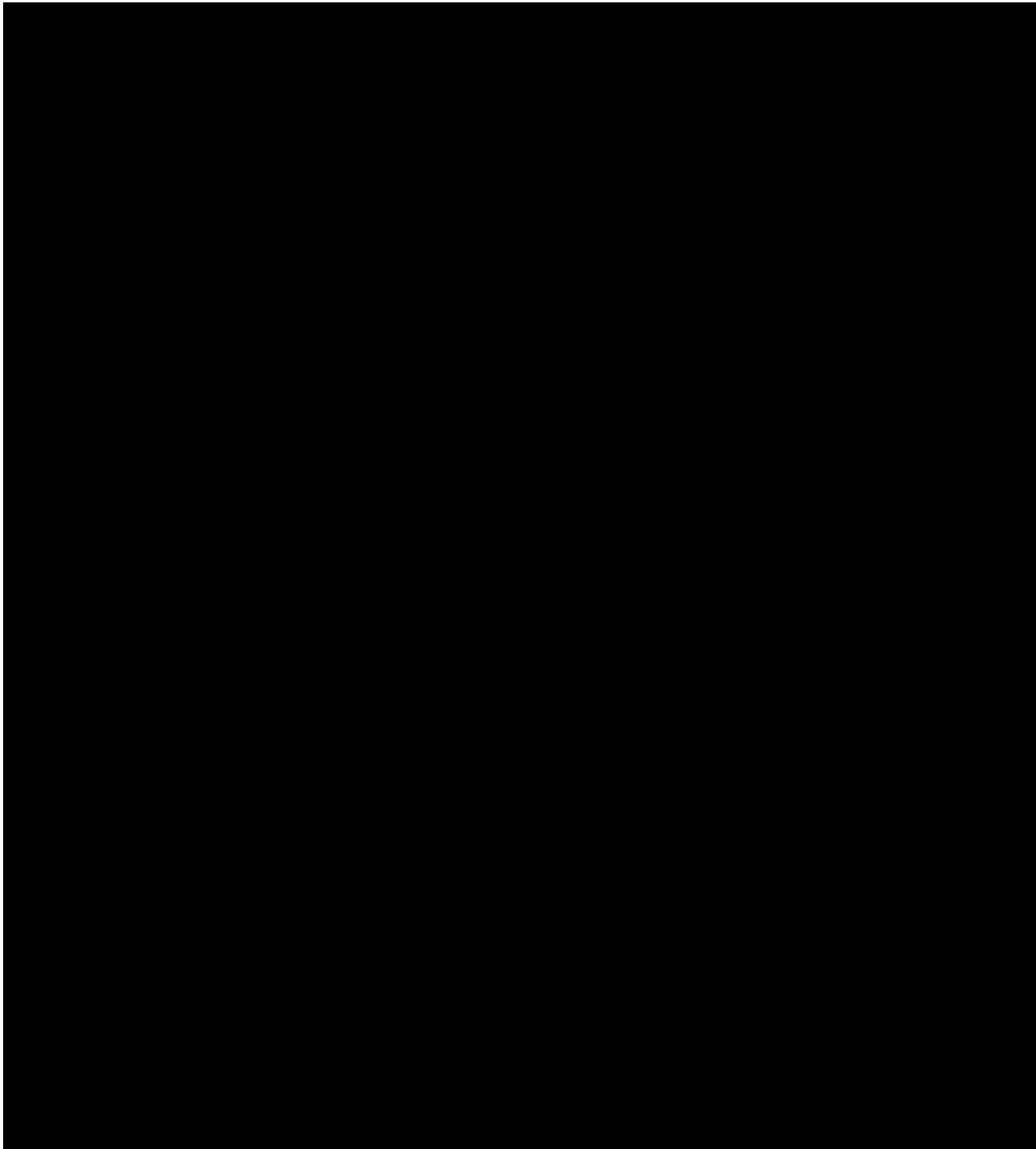
	BUDGET YEAR 2014/15	BUDGET YEAR 2015/16	BUDGET YEAR 2016/17
Total Operating Revenue	103 312 634	120 547 162	122 530 191
Total Operating Expenditure	101 551 250	108 681 786	115 224 764
Surplus/Deficit (<i>Rounded off</i>)	1 761 384	11 865 376	7 305 427

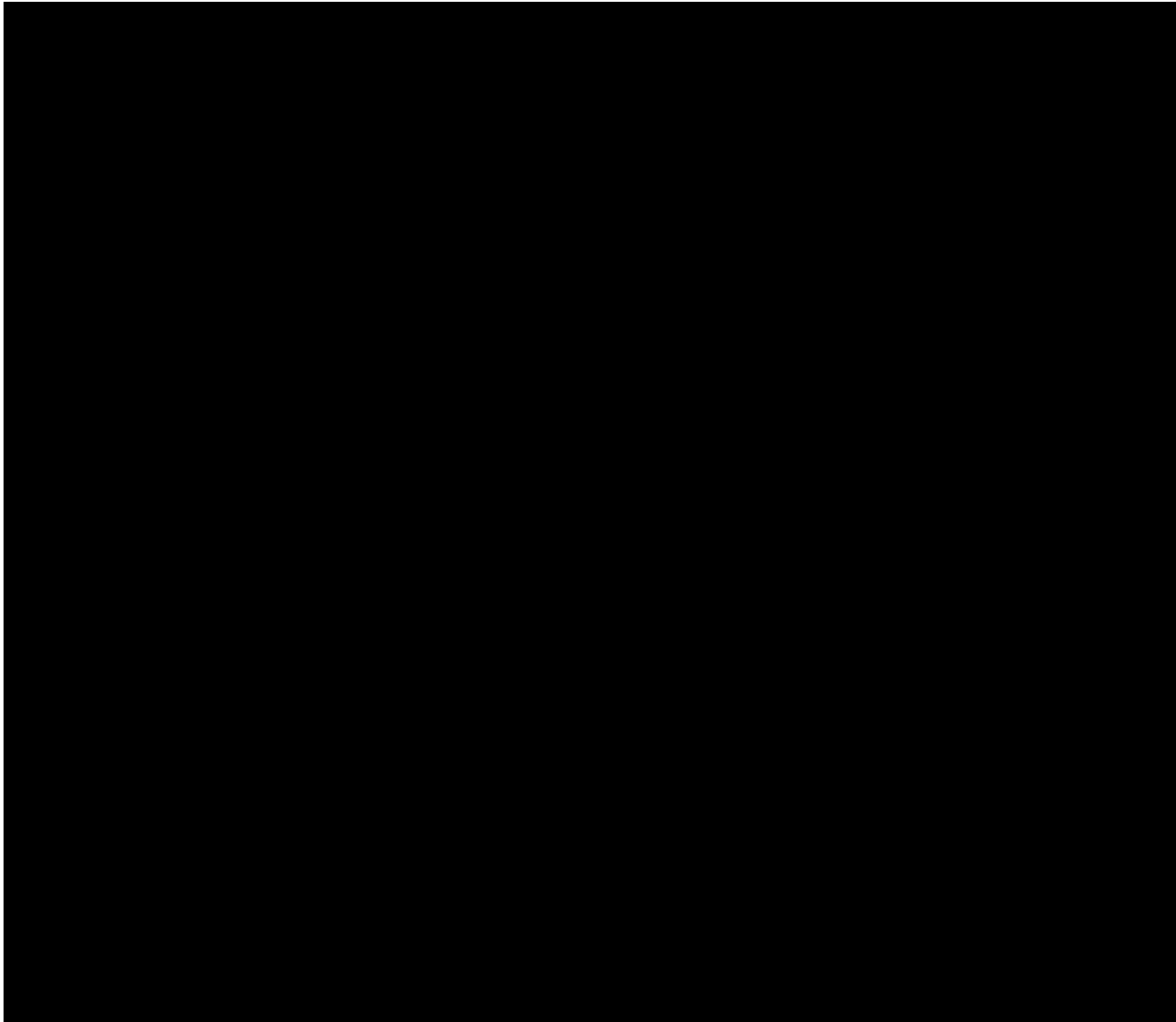
The below pie chart consist of Total operating budget, Total operating expenditure and Surplus of Nkandla Municipality.

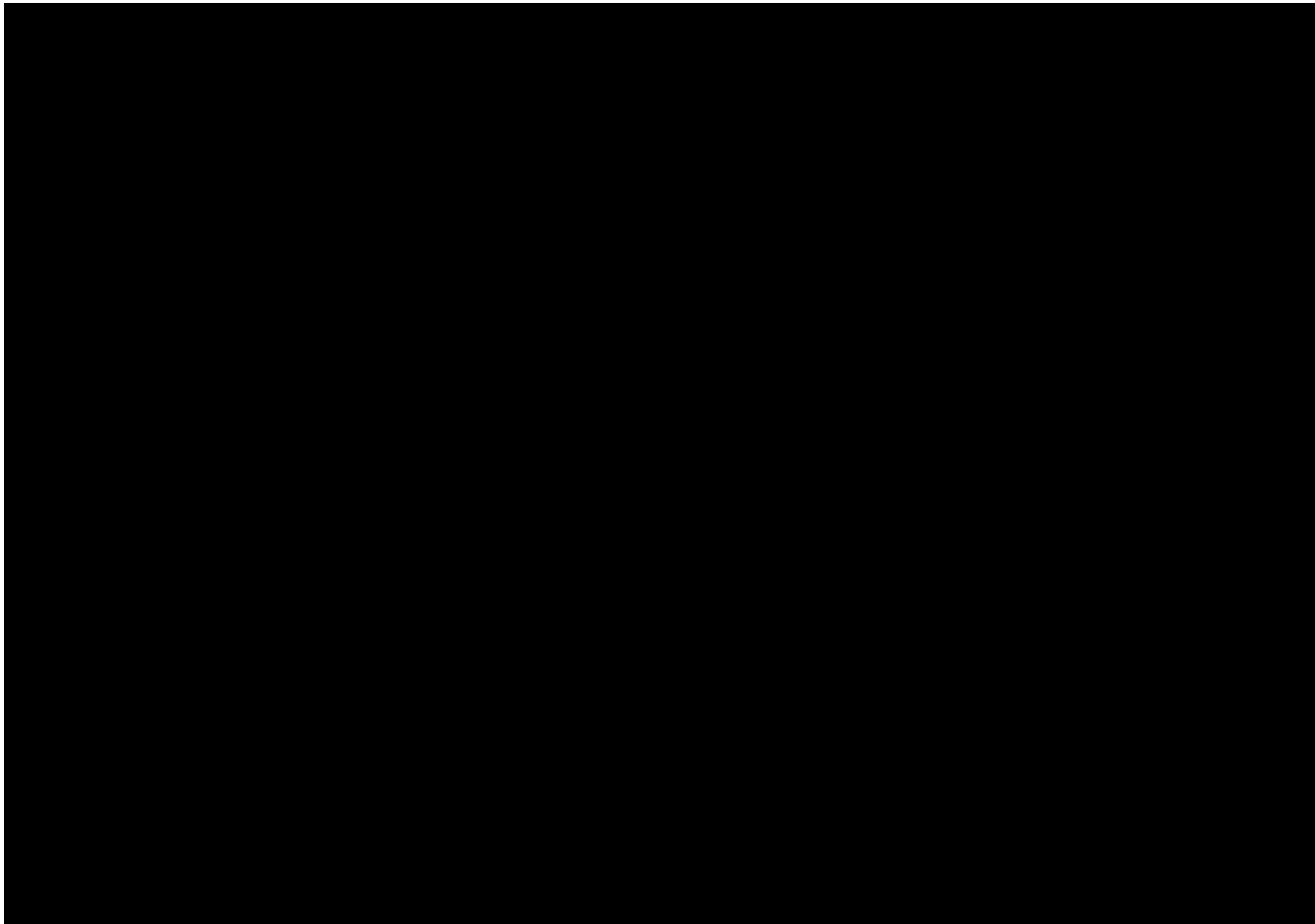


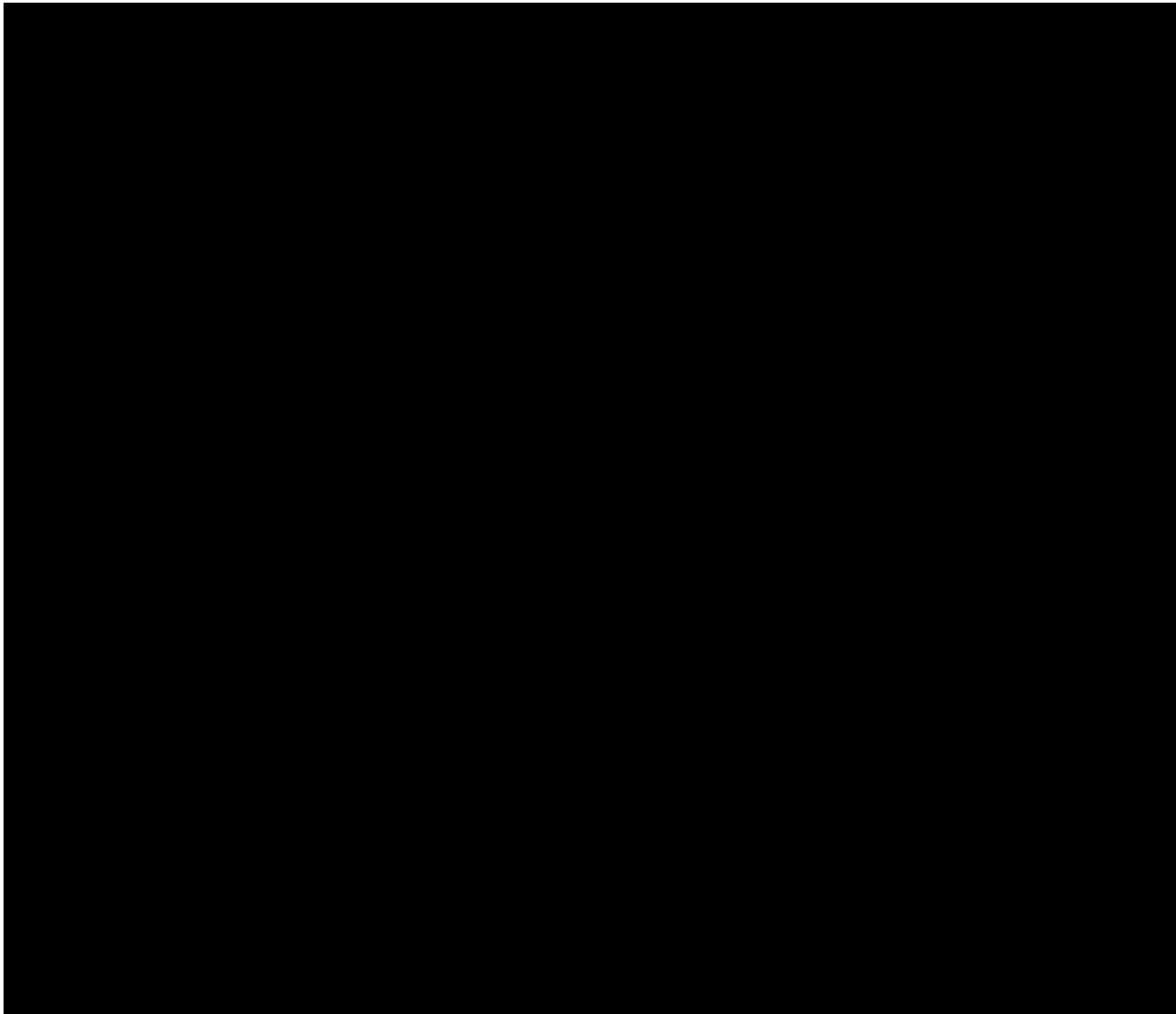
ANNUAL BUDGET TABLES

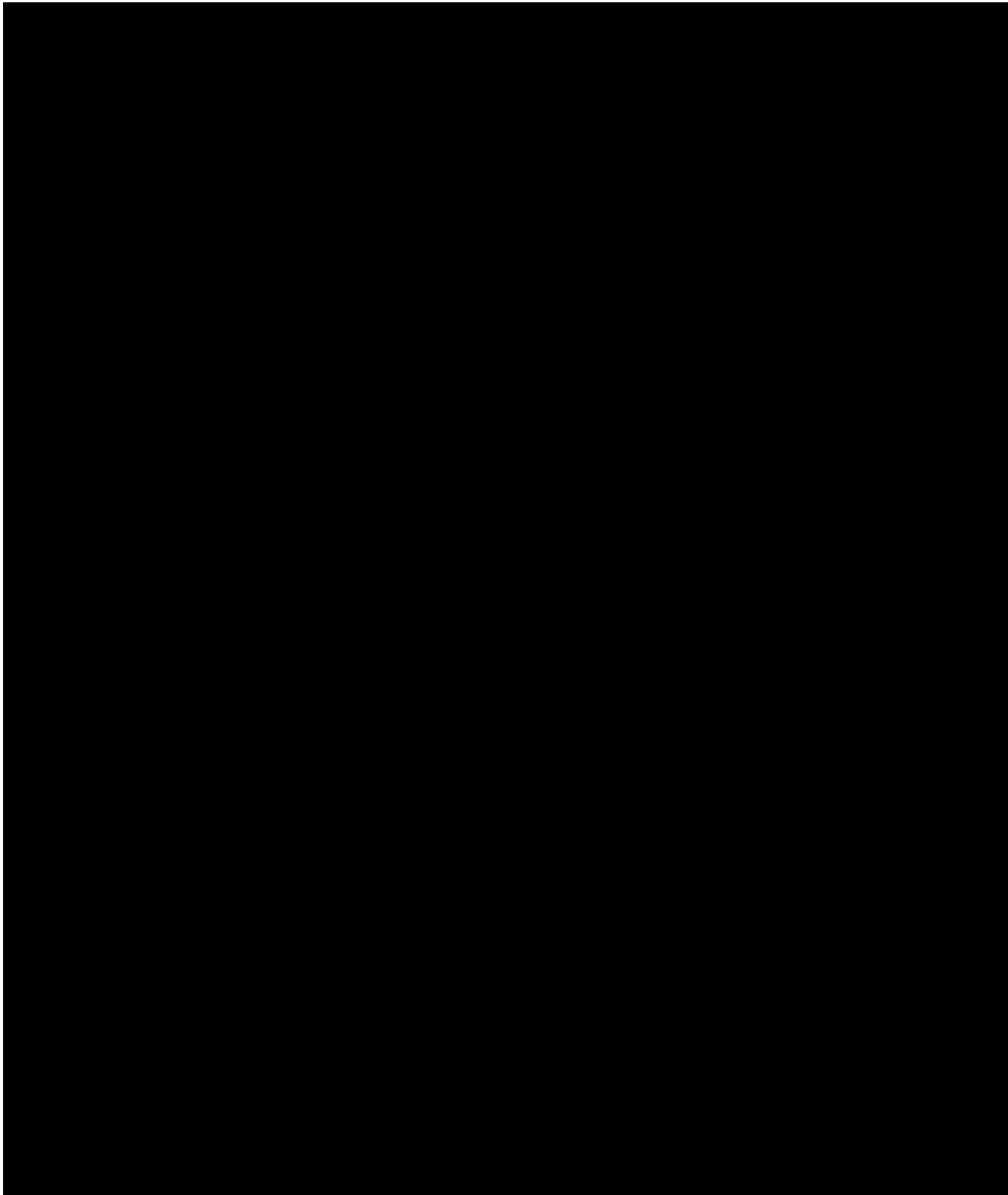
The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality’s 2014/15 budget and MTREF as approved by the Council.

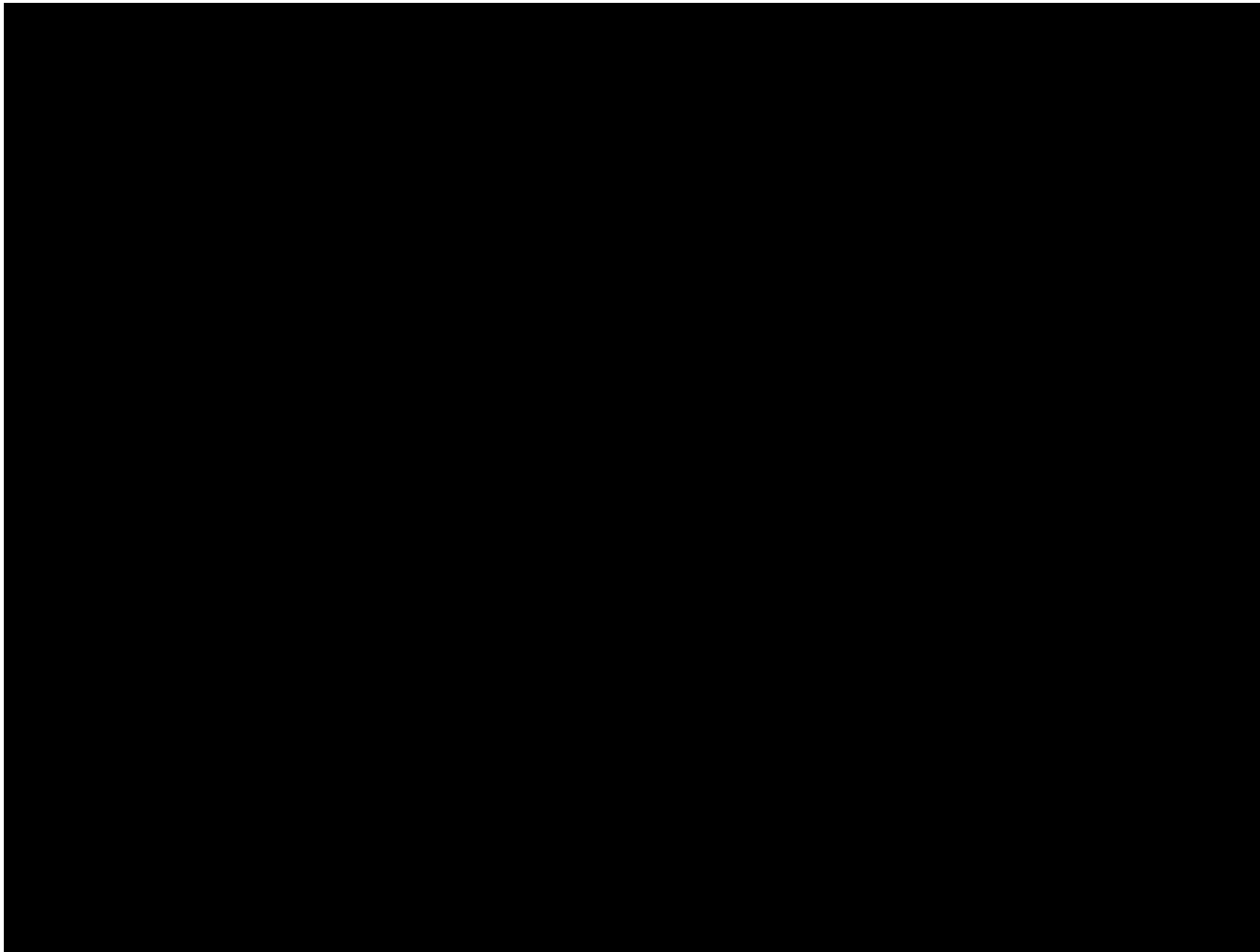


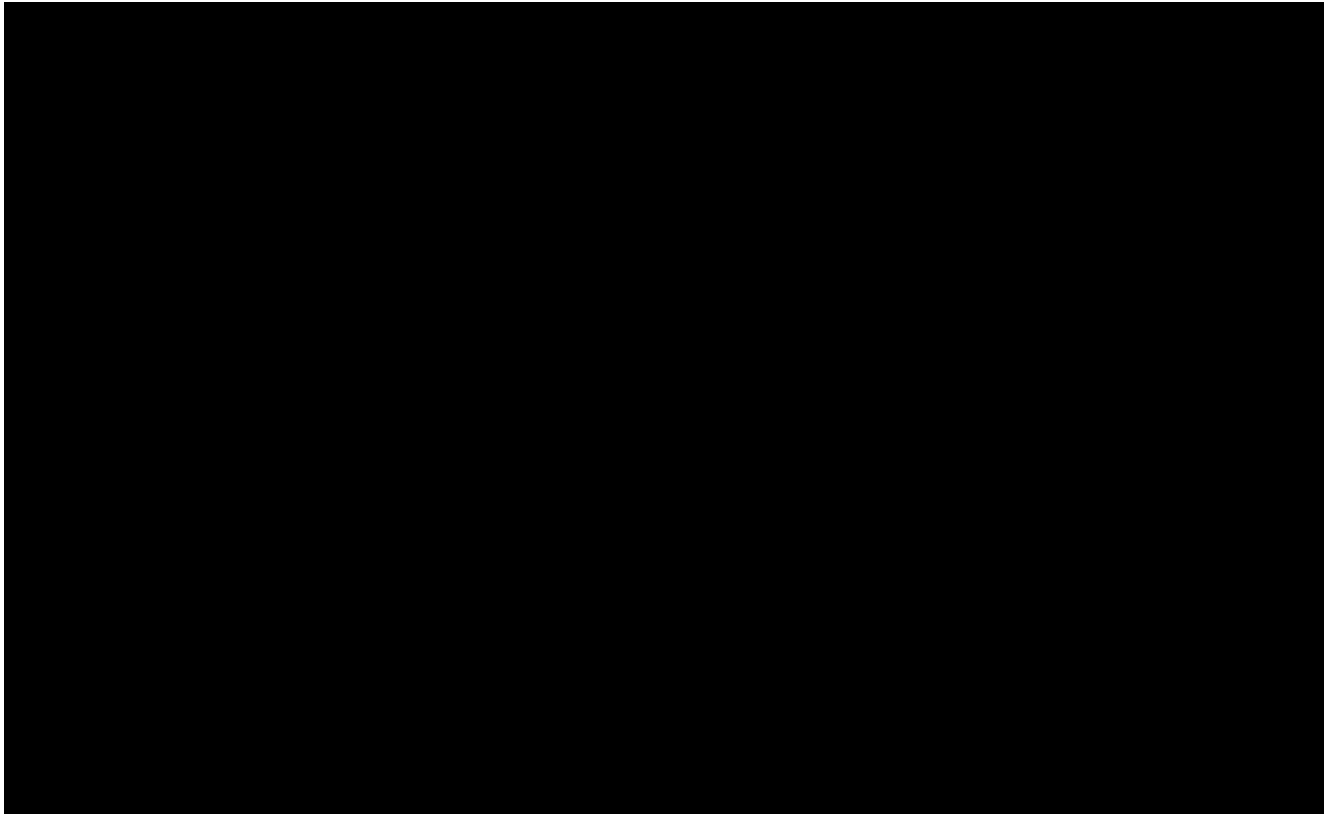


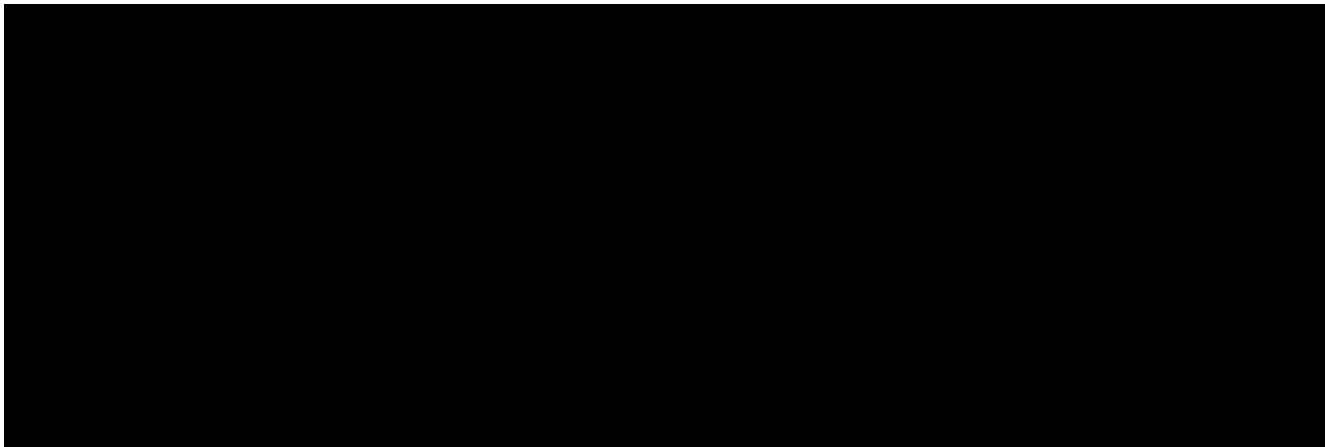


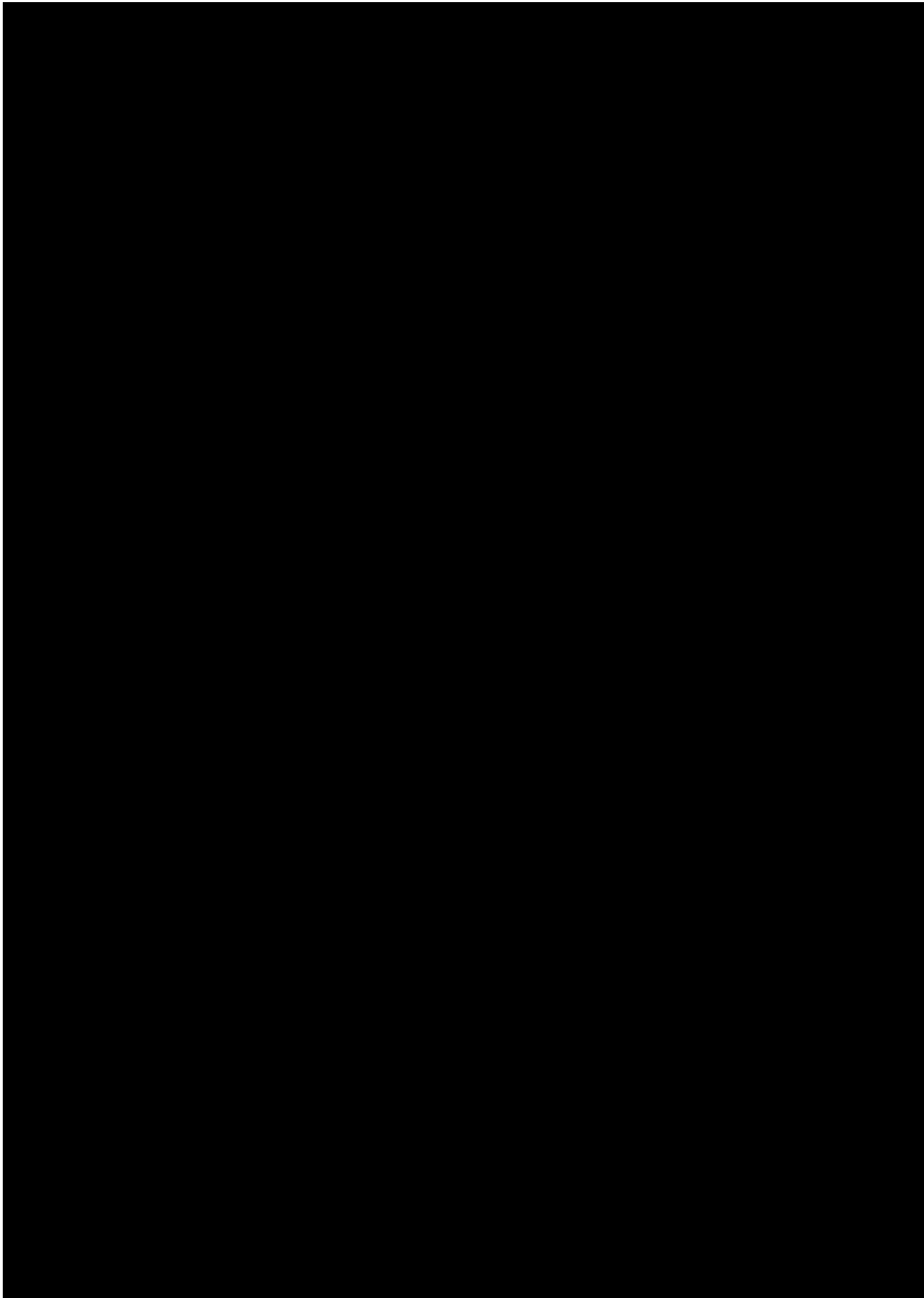




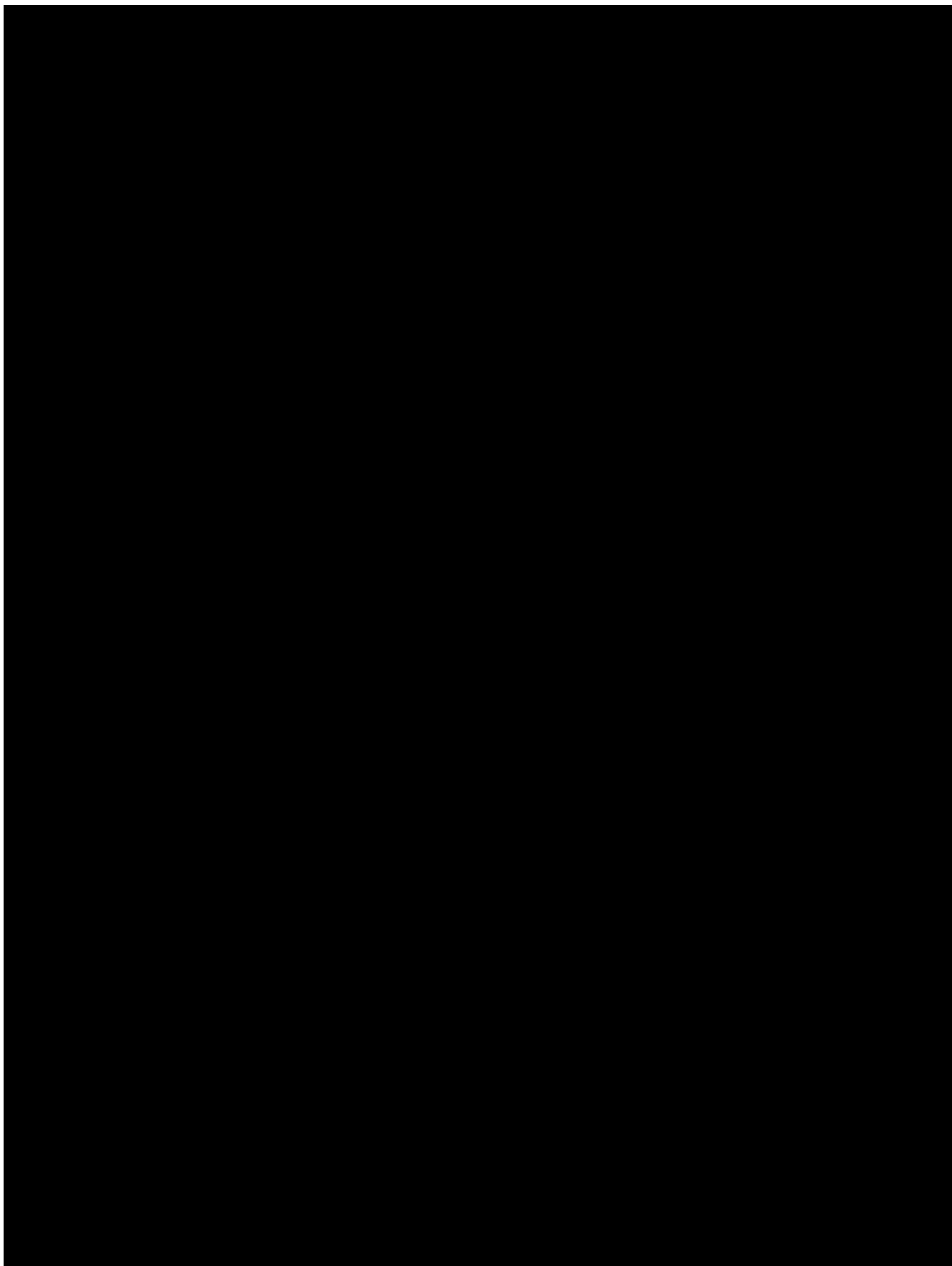


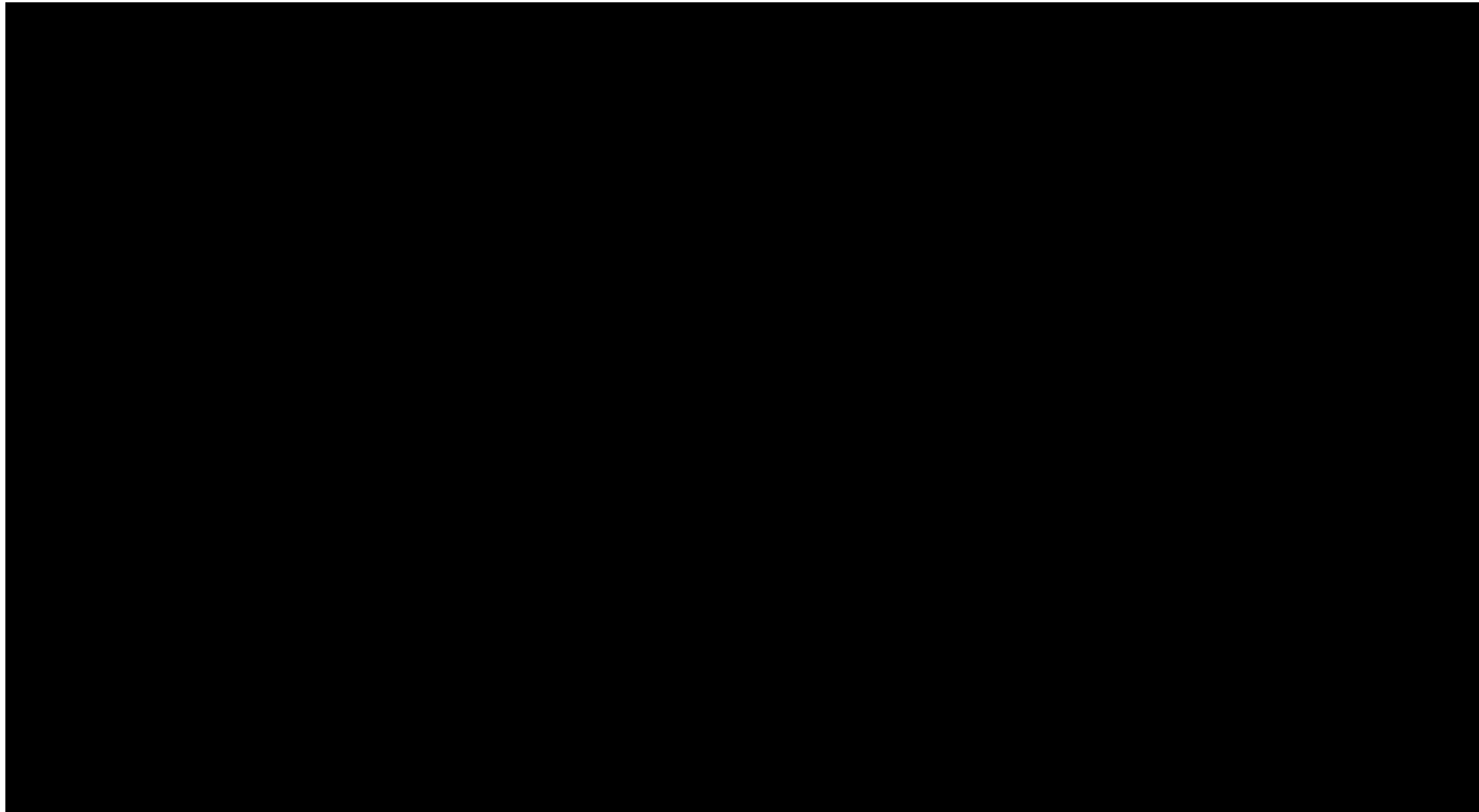


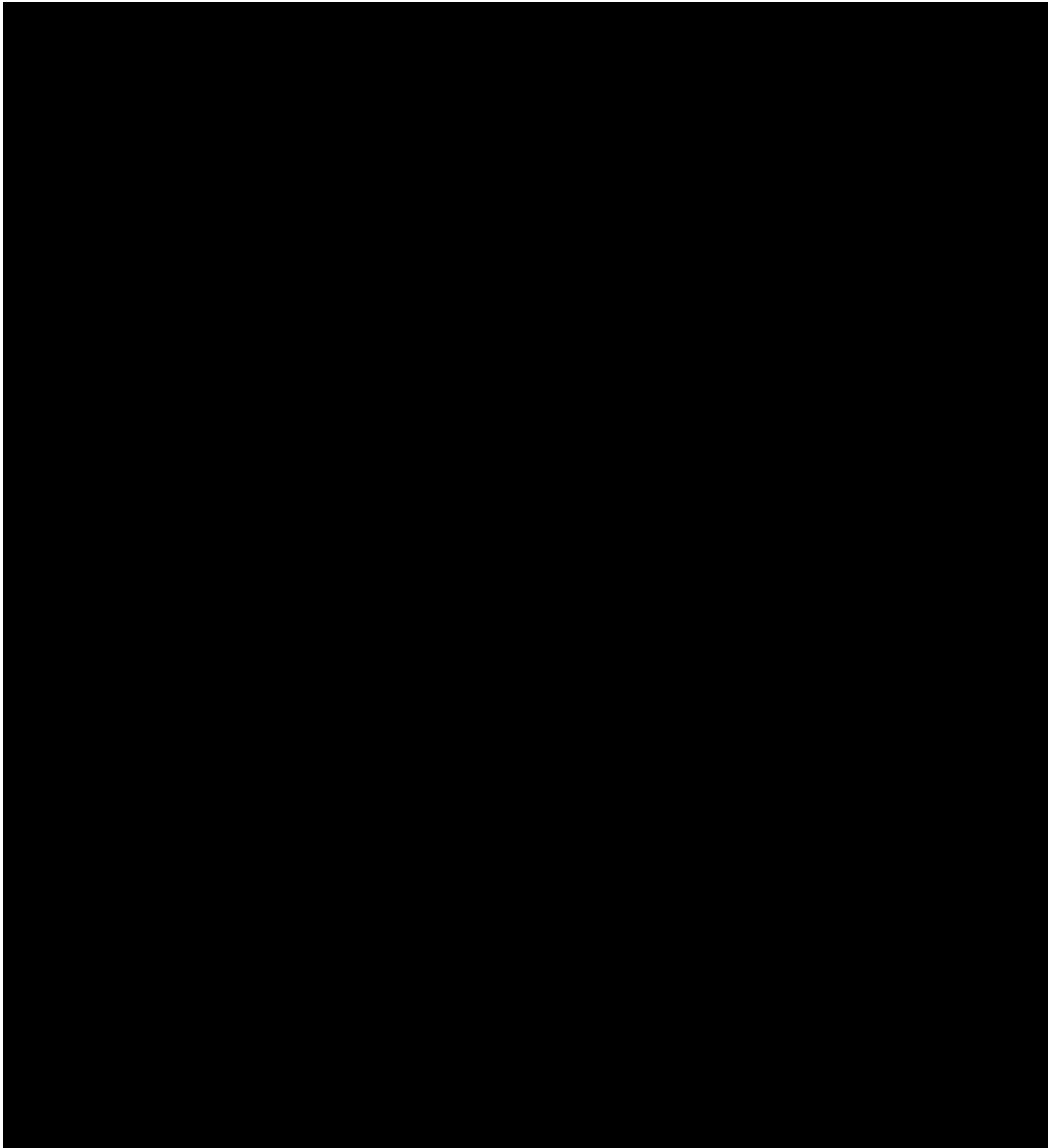


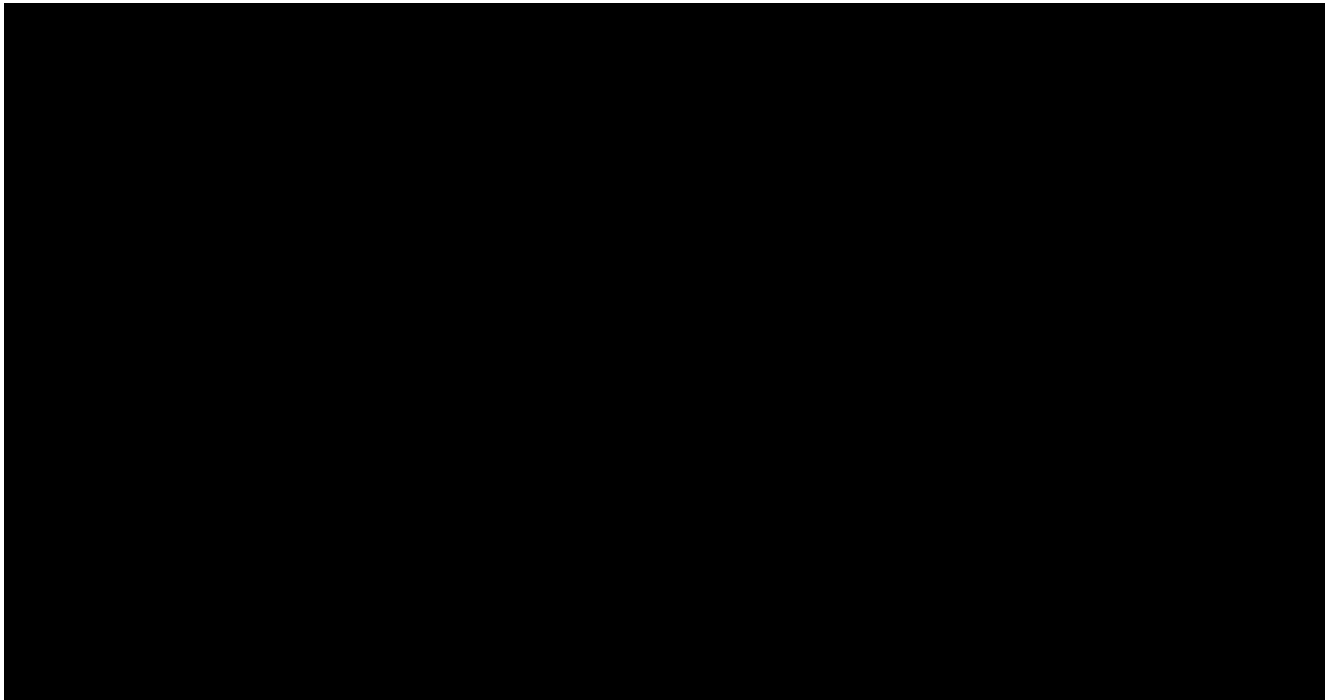


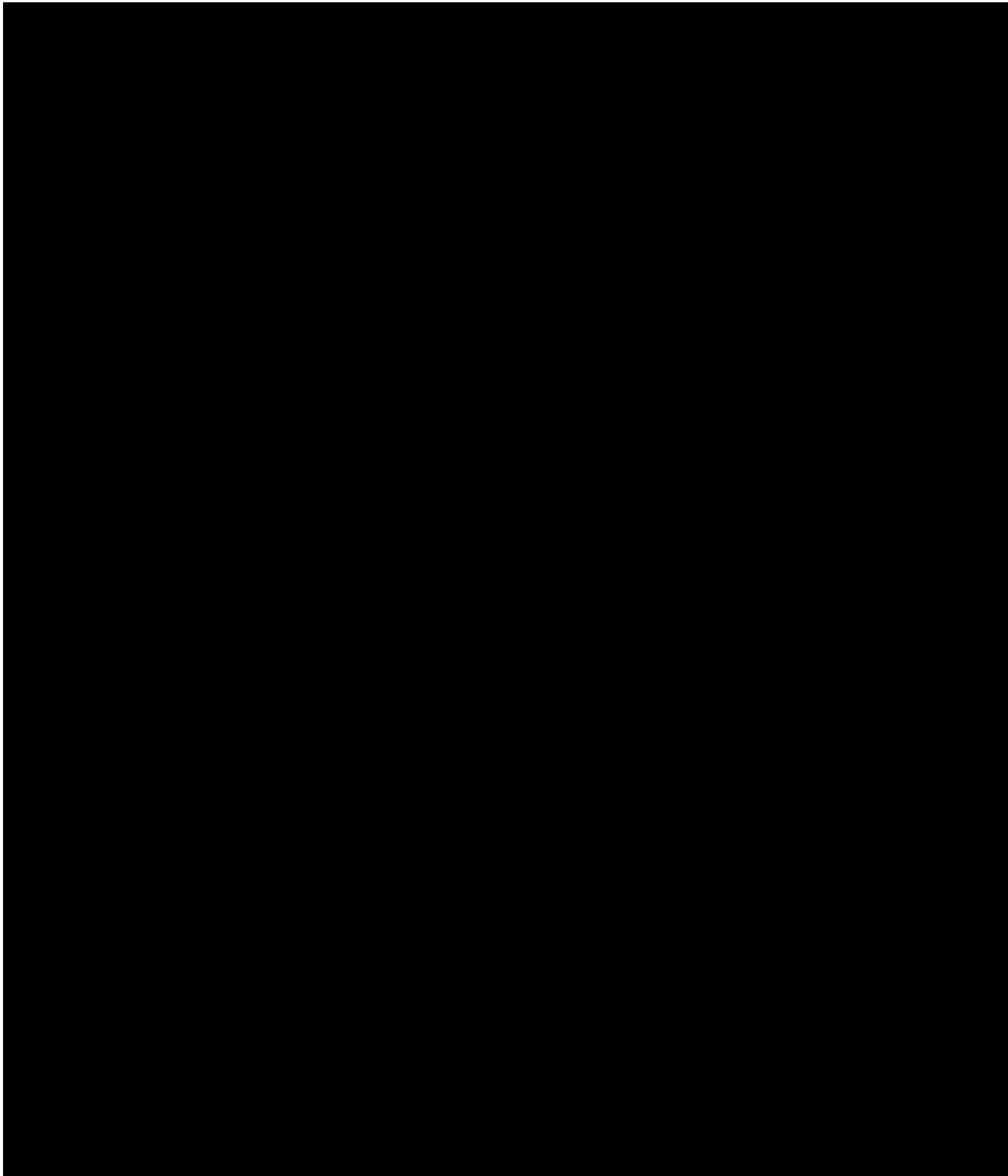
Supporting Tables for A Schedule

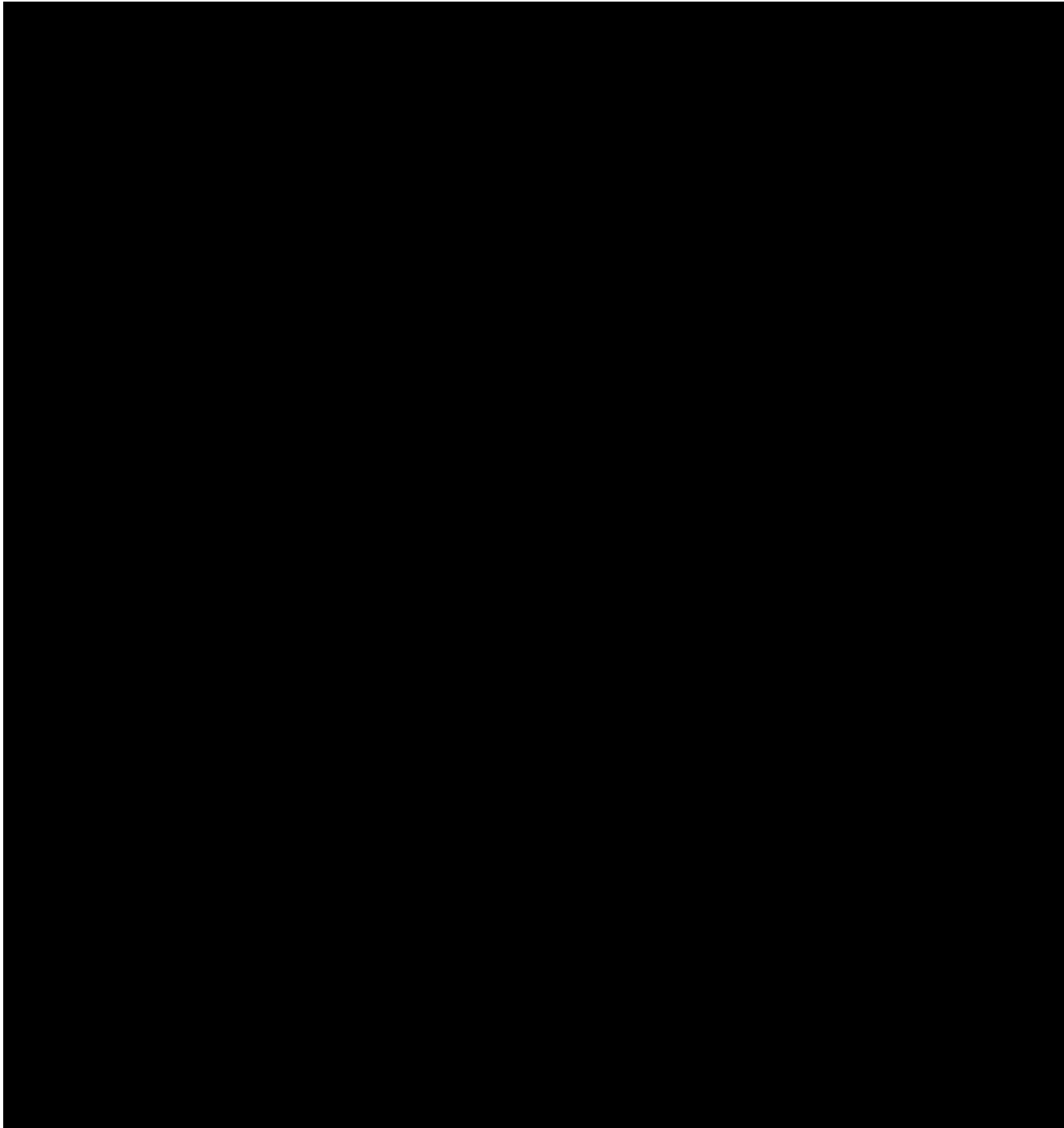


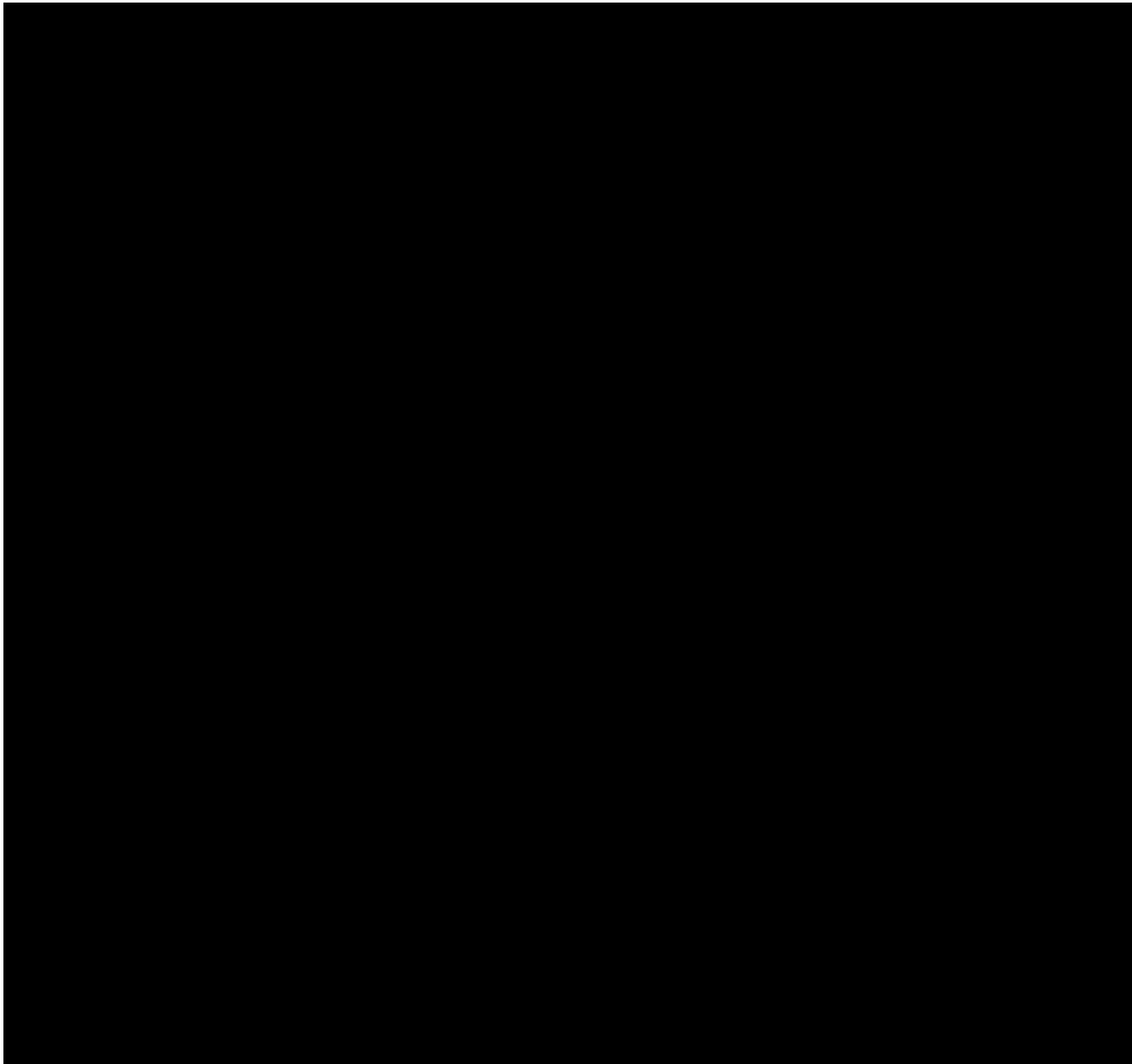


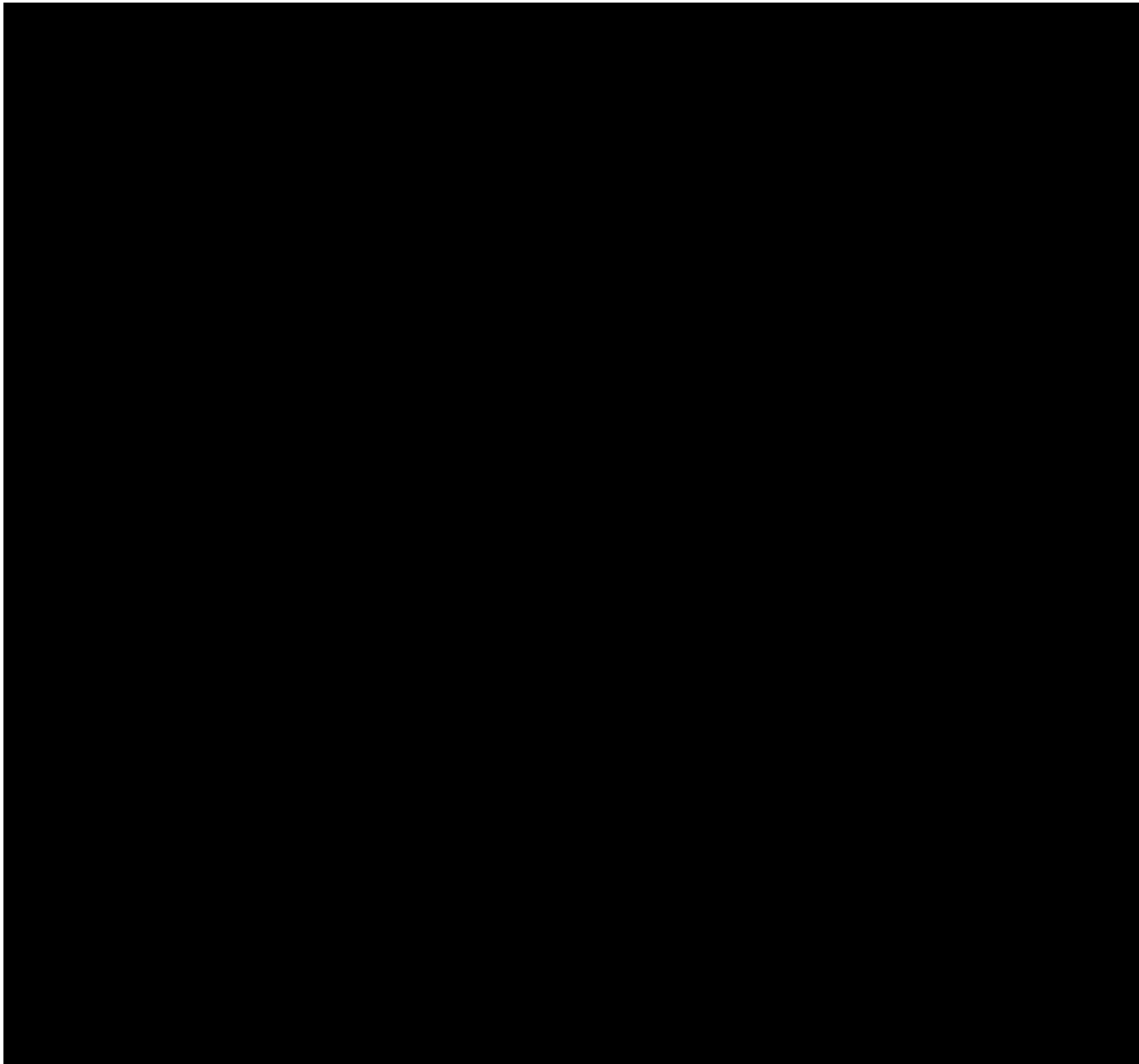




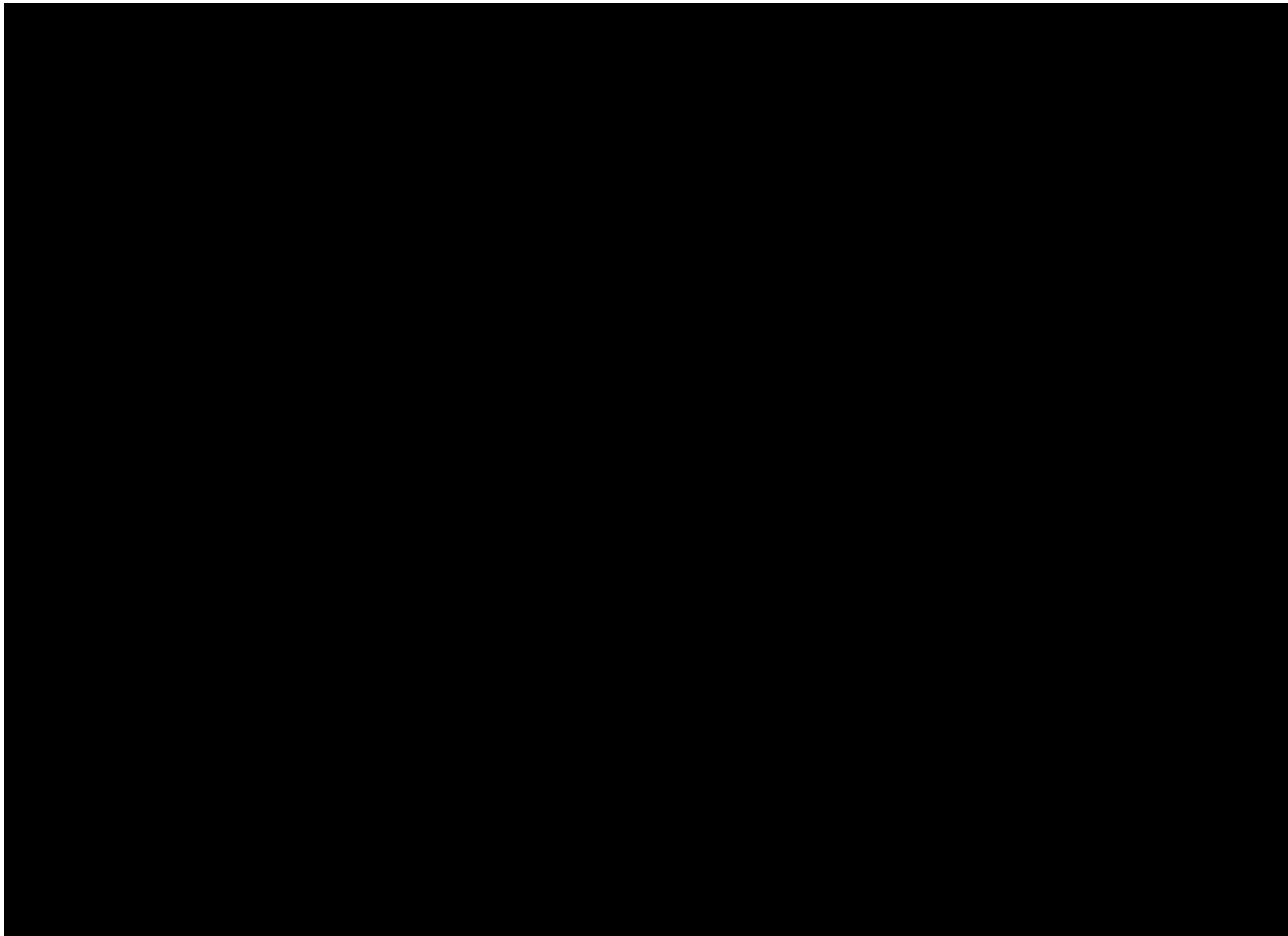


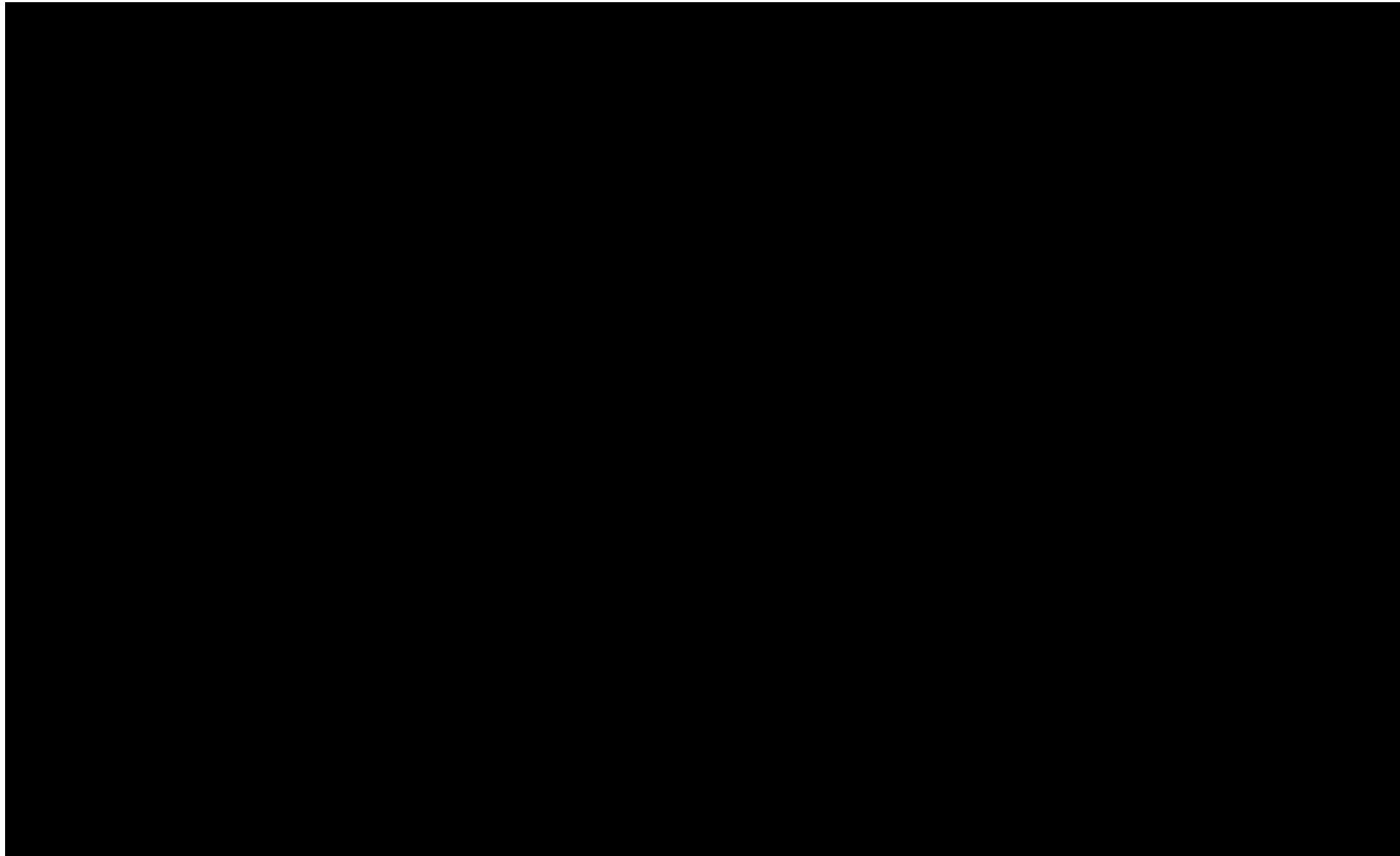


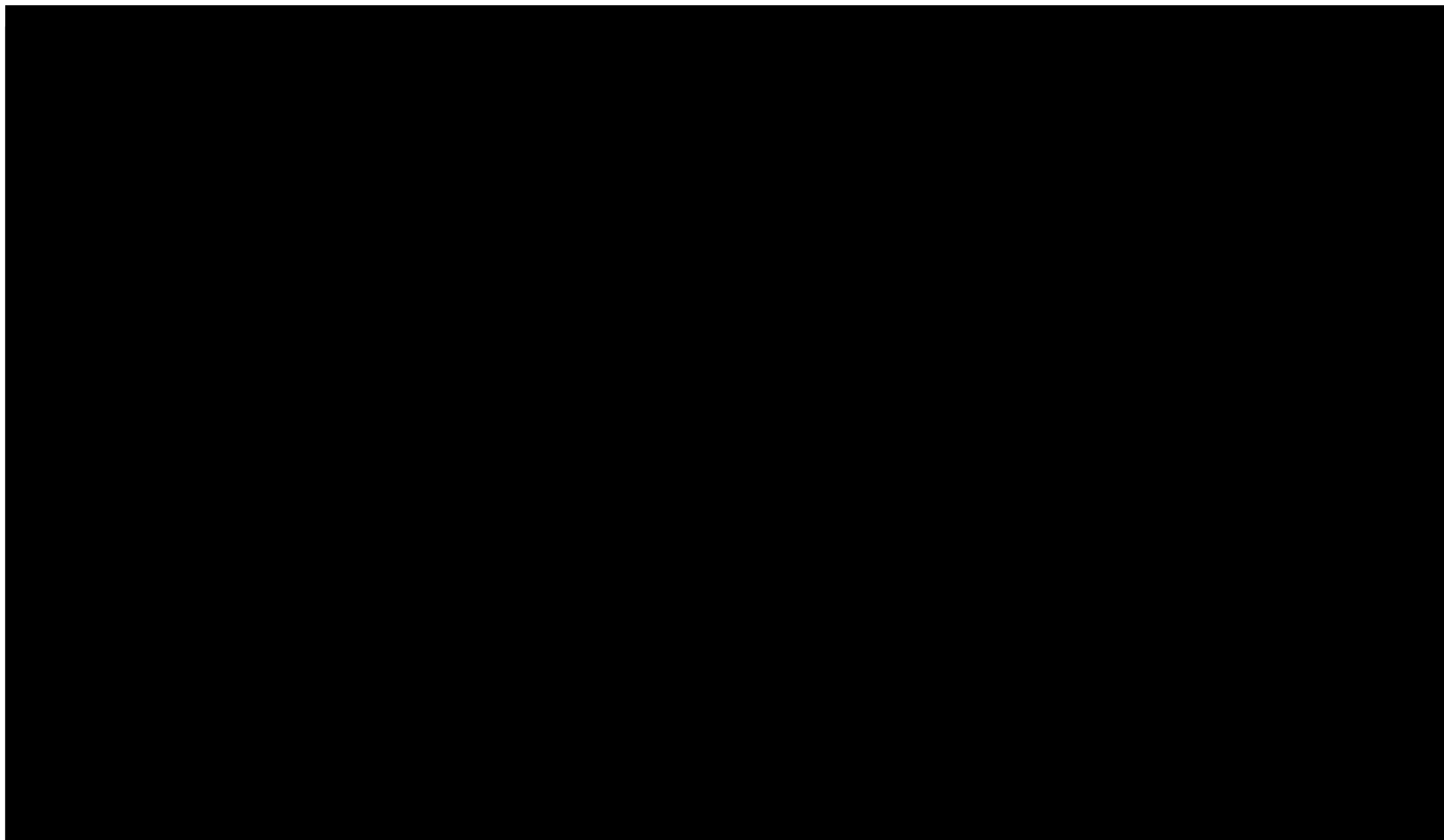


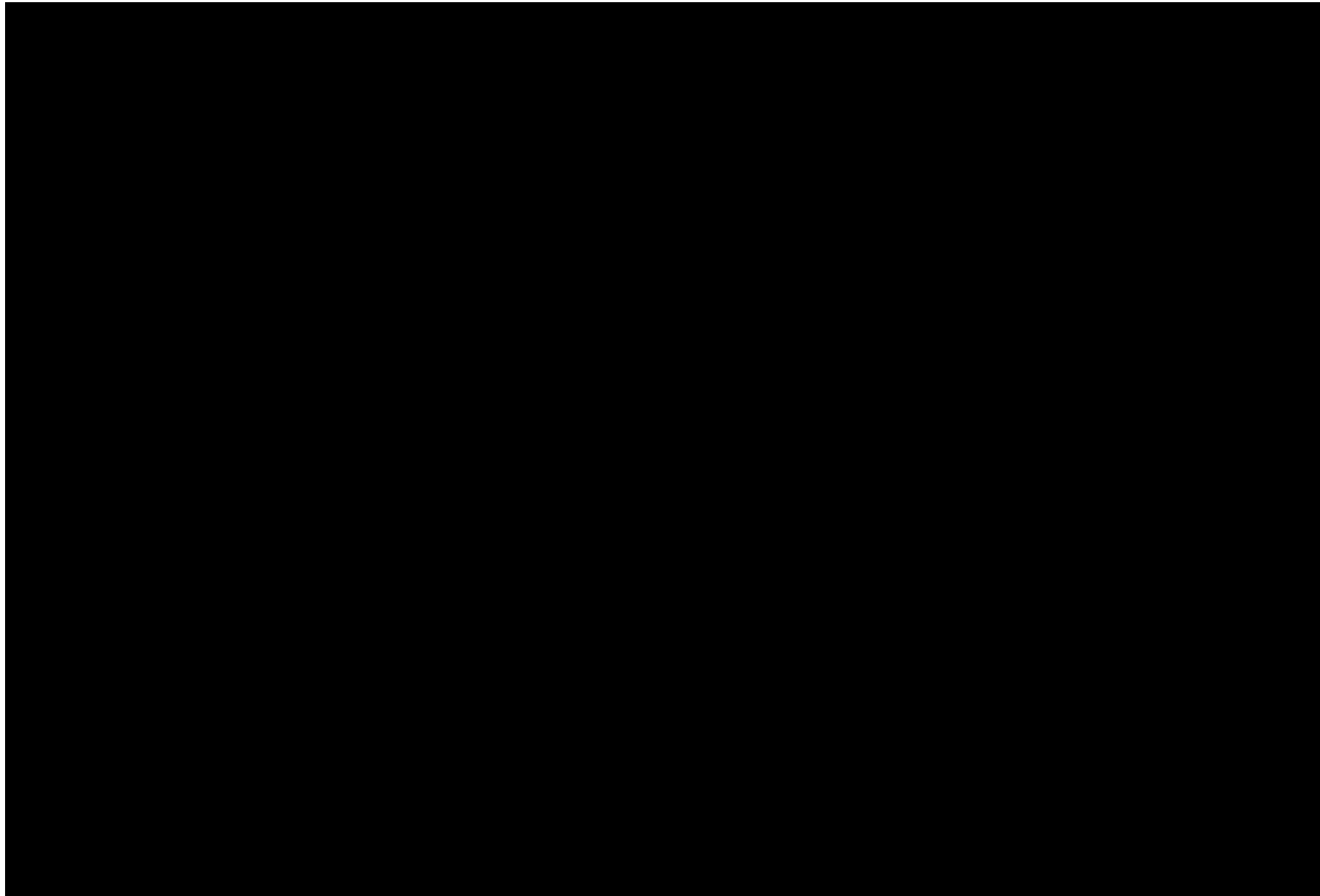


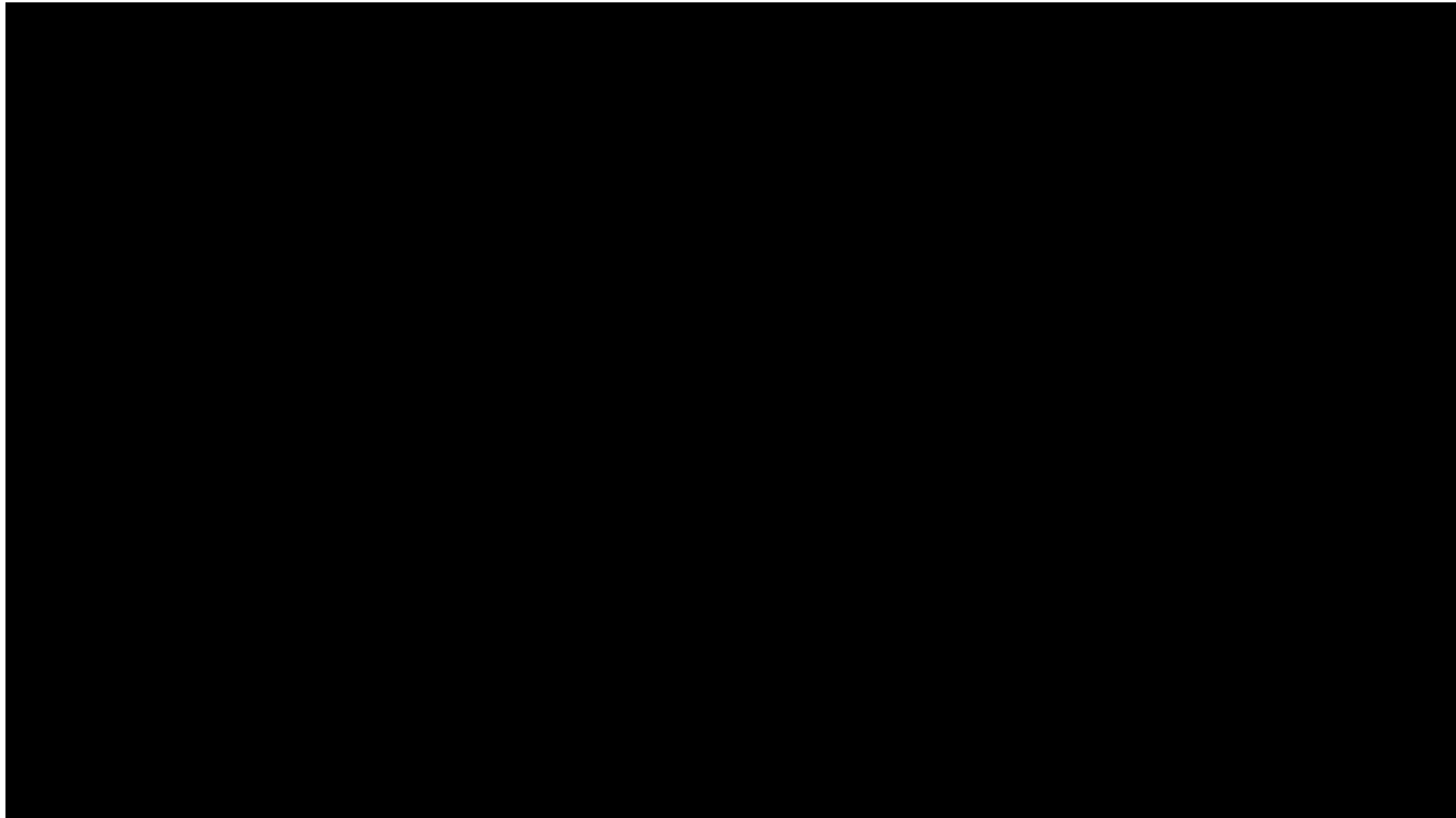


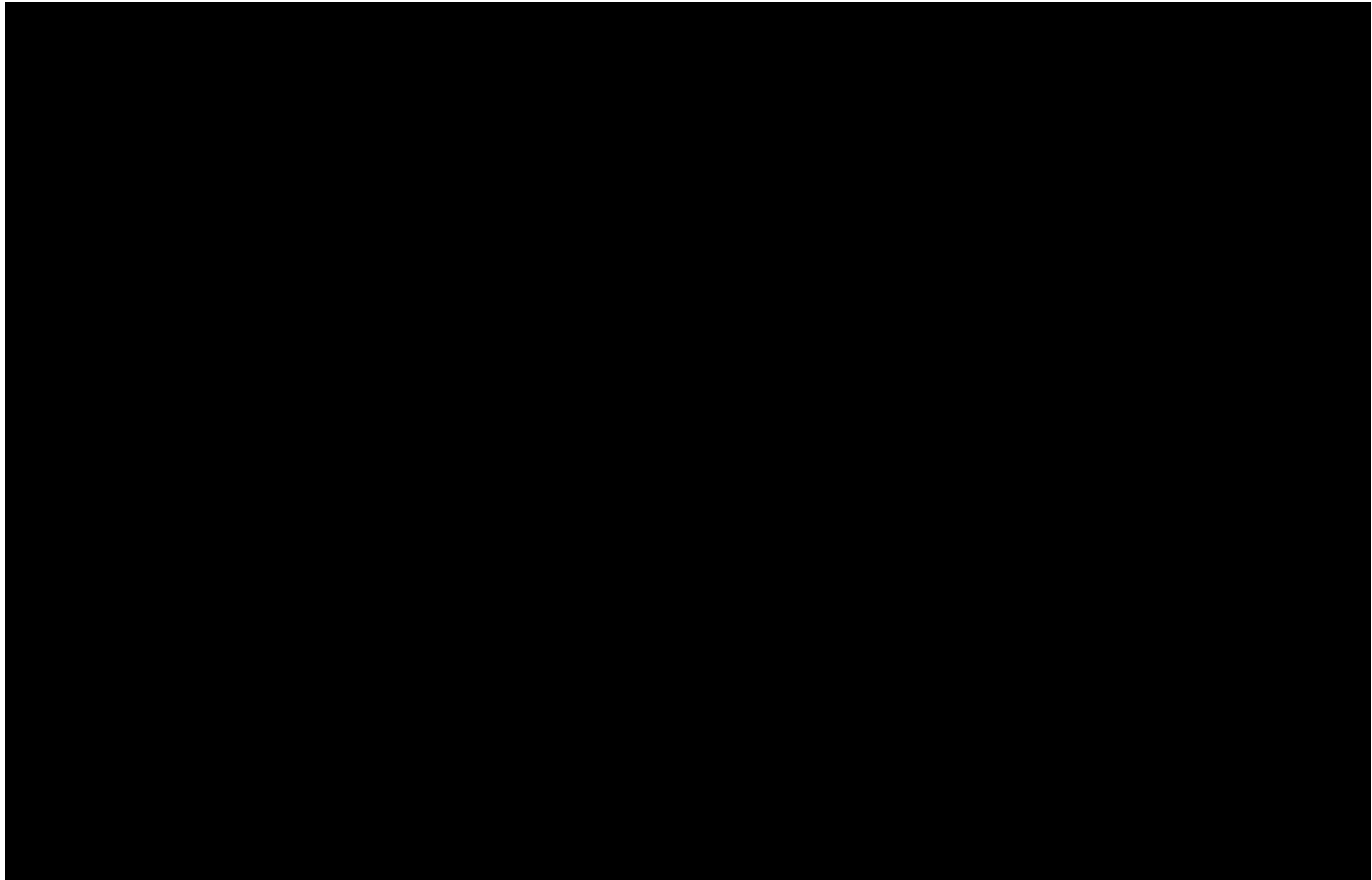


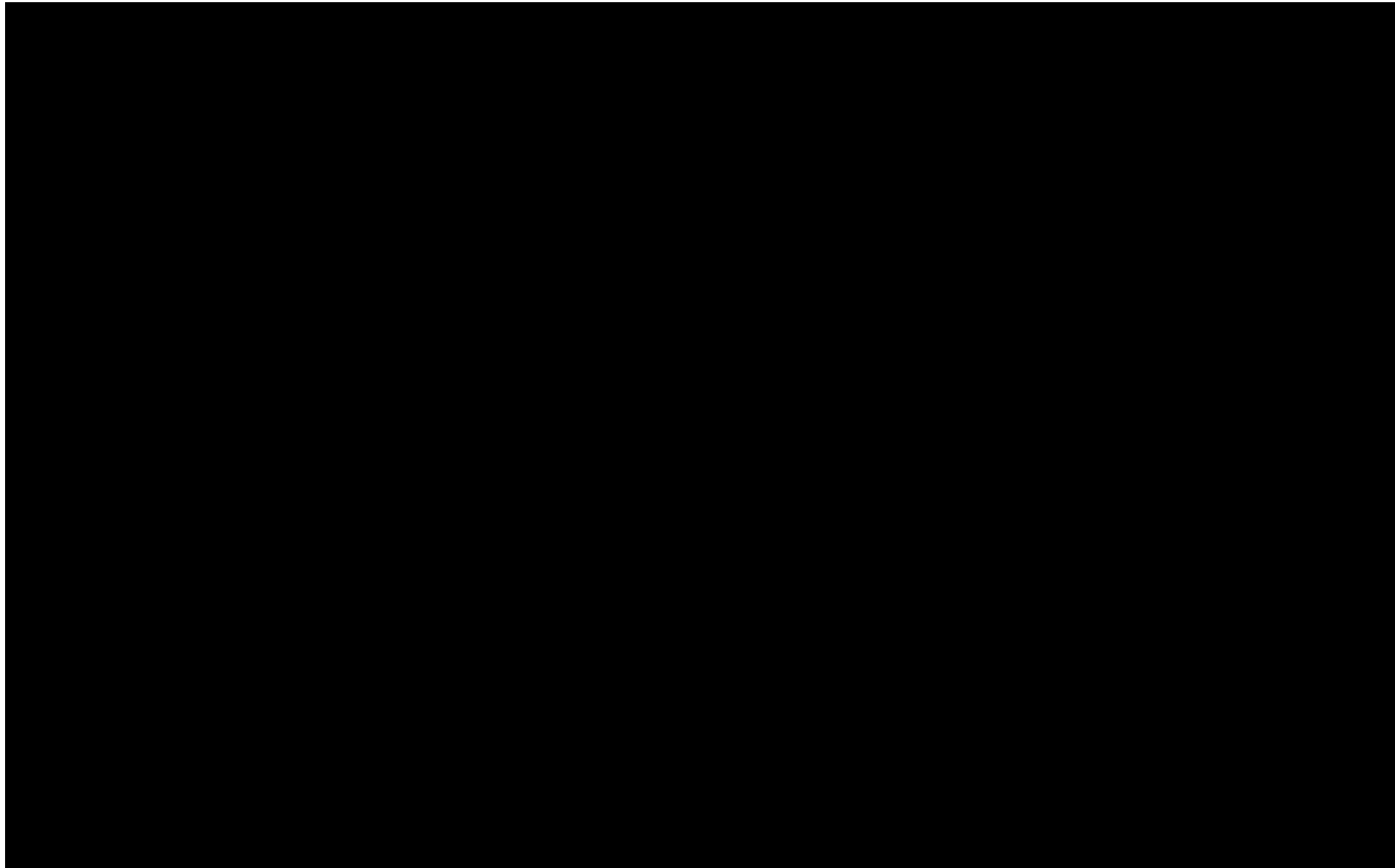


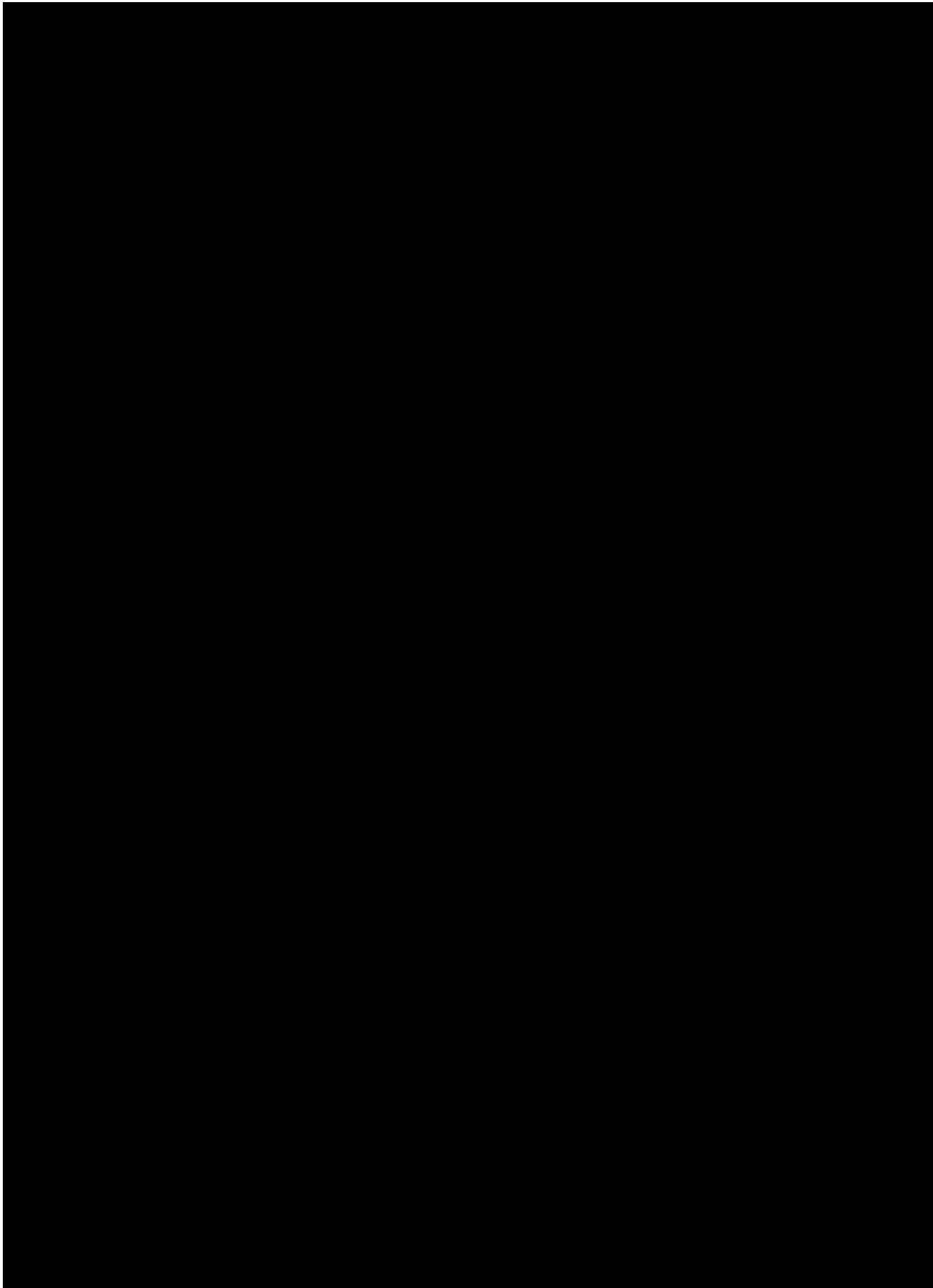


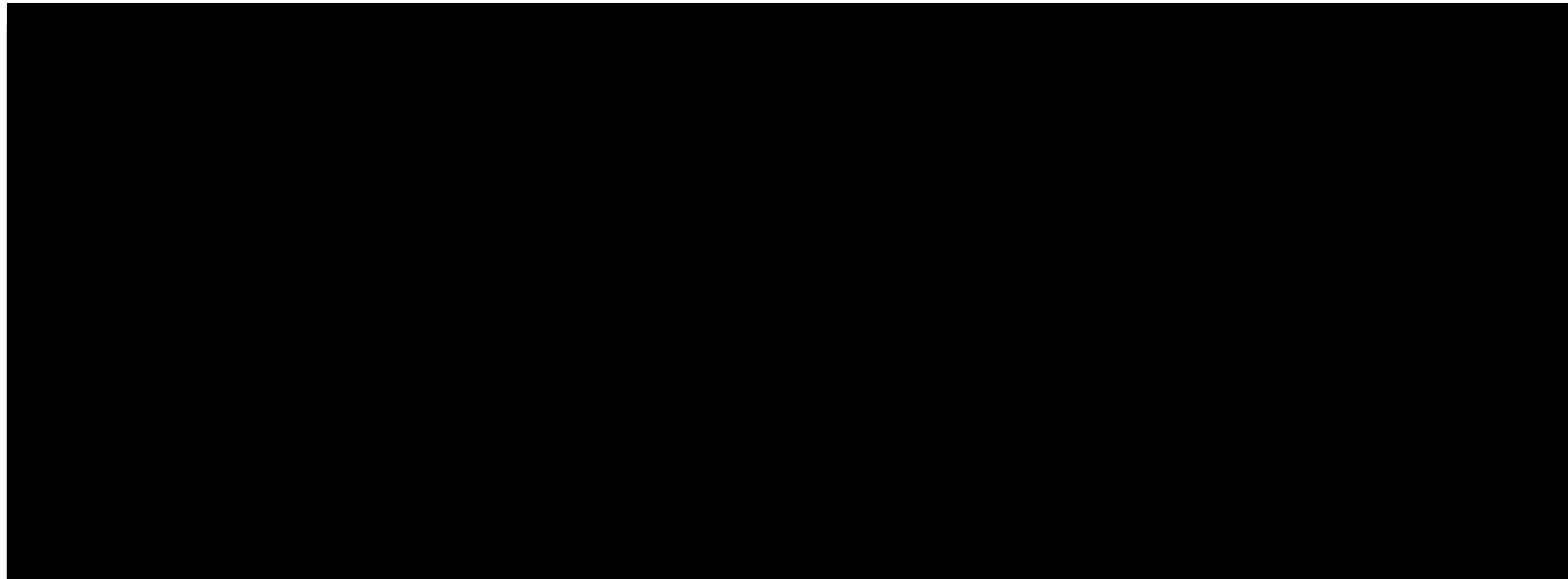












PART 2 – SUPPORTING DOCUMENTATION

Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

2.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget



Municipal Manager's quality certificate

I S.B. MTHembu....., Municipal Manager of Nkandla Local Municipality, hereby certify that the Draft budget 2014_2015 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and Regulations made under the Act, and that the Draft budget 2014_2015 and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name SITHAMBI SO. BLESSING MTHembu

Municipal Manager of Nkandla Local Municipality (KZN286)

Signature

S.B. MTHembu

Date

26-07-2014

